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# ***JPRS Report***

## **East Europe**

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# East Europe

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### President Havel Addresses Nation on Elections

LD0206193792 Prague Federal 1 Television Network  
in Czech 1730 GMT 2 Jun 92

[Nationwide television address by President Vaclav Havel—recorded]

[Text] [Announcer] Michael Zatovsky, spokesman of the president of the republic, said yesterday that President Vaclav Havel would deliver on Wednesday a speech addressed to the citizens of Czechoslovakia. According to the Election Law, the mass media election campaign is scheduled to end at 1400 [1200 GMT] tomorrow. To prevent possible accusations of breaching the Election Law, the president decided to deliver his address today, and we therefore present the address by President of the Republic Vaclav Havel at the beginning of today's news bulletin.

[Havel] Dear fellow citizens, esteemed friends. We live in a region where, since time began, European history has been tangled and untangled. We live in a place where the ability of nations and cultures to live in peace, solidarity, and friendship has undergone endurance tests; we live at the very crossroads of the nerves of our continent. As a tradition and not by mere accident, we are a country where various geopolitical interests intersect, where various spiritual currents and traditions either clash or integrate. We are a country where in history—and again, not just by chance—major European or even world confrontations have started or ended on more than one occasion. This position places special demands on us and challenges us to take up a special responsibility, because our decisions are far from concerning only us, only ourselves.

This also applies to the elections that lie ahead of us. The tension with which Europe awaits the decision we will make in this historic moment is, therefore, more than understandable. Our surrounding neighbors are aware—possibly better than we ourselves are—that by making a decision about our own future today, we are indirectly also deciding about the future of Europe.

We have two options: Either we will demonstrate our ability to strike a concord, to display mutual solidarity and to coexist with one another and with all others on a friendly basis, thus becoming one of the important points of European stability and in turn also a source of hope that after many centuries, Europe will once again find itself as a living example of unity in diversity; or, we will choose the path of confrontation and subsequent division. The meaning of the consequences of such an option could be that we would begin once again to politically divide Europe into East and West. Although we might strongly dislike it, we will not be able to avoid the fact that our split will be viewed in this way.

There are few places around where two nations exist who are so close to one another in their language, in their tradition, experiences, and fate. Why should we not show to Europe and the world that it is possible to follow

the path of cooperation, solidarity, federalism, and integration, thus following the way of a creative pluralism of different cultural environments, that is, the only path that could guide the present world civilization out of its crisis and rid it of all the great threats hovering over it.

Years ago Czechoslovakia was talked about as a possible bridge between West and East. I do not think that we are, or that we should be, some sort of a bridge. By the way, soldiers like to fight especially on bridges or for them and they have a special liking for taking them. We do have an opportunity to be something different and something more. We may set an example of understanding and calm cooperation which goes beyond river boundaries and thus renders all bridges redundant.

In two days' time we will go to the polling stations and we will decide where and by which path our country will go. Just as I have tried to suggest, we will not only be making decisions about ourselves. At the same time, we will also express by our choice our opinion on what way today's world should follow—the way of disintegration and dispute, or the way of unification based on equality, mutual respect, and partnership. Nothing has been decided so far. Nobody has won the elections yet and nobody has lost them. The result will depend on what you do this coming Friday and Saturday.

Dear fellow citizens, I implore you, in your own interest and also in the interest of favorable development in the whole of Europe, to give your vote to those who want to reach an agreement, those who want to cooperate, those who truly and sincerely honor the constitution, law and democracy.

I implore you to give your vote to those who want to continue our present foreign policy, drawing on the idea of the indivisibility of human rights, admitting coresponsibility for the state of the world, and striving for the achievement of the status of a respected and active component of the newly emerging European order. Our program must be openness, not isolation.

I implore you to give your vote to those who want to continue the bold economic reform which we have started to implement and which alone can open us to the advanced world, link us with it, and present a real hope for the renaissance of our economy and thus also for the enhancement of the general standard of living.

I implore you to give your vote to those who, by their program and personal trustworthiness, are a guarantee for all of us that citizen's rights will develop and human rights will be respected, those who want us to become a state of civil and tolerant people, an all-round cultural state, a spiritual state founded on respect for the unique human being and for the basic moral values without which a dignified life is unimaginable.

I implore you not to support those who promise to solve every problem for you. Such people want you to remain quiet, obedient, and kept in line.

I implore you not to support those with dictatorship tendencies, who change their views much too often, are not able to come to an agreement with others, offer various adventurous, ill-thought-out and irresponsible solutions and who would like best of all to return to centralist management of our all common affairs.

I implore you not to vote for people for whom their own power is more important than the fate of the nation, people whose coaxing smiles only hide vanity and pride, people who are not capable of listening to others but become intoxicated by their own importance.

I implore you to vote for those who are prepared to look for a really just way of coexistence between our nations and all our citizens in a common state.

I implore you to vote for wise, tolerant, businesslike, decent people, not for people who either look for or create conflicts.

I implore you to realize that you are making a decision on whether today's Czechoslovakia will be a firm and important stone in that great construction of a united Europe of free and freely cooperating nations, or whether it will be a place of endless quarrels and arguments, permanent political and constitutional crises, a country from which all will turn away as from a dangerous and dangerously deepening crack in the very center of our continent.

This decision will be yours and yours alone. The ballot is secret, no one will know who you voted for, thus you need not be afraid of anyone, and thus you can be guided by what your conscience tells you.

Czech and Slovak men, Slovak and Czech women, all citizens of Czechoslovakia, I ask the Lord to guide your hand well in the forthcoming parliamentary elections!

### **Czechoslovak Confederative Arrangement Rejected**

#### **Klaus's Negative Reaction**

92CH0581A Prague *TELEGRAF* in Czech 8 May 92  
p 1

[Commentary by Federal Minister of Finance Vaclav Klaus: "On the Coming Elections"]

[Text] The approaching elections make some things clearer, but also make some things obscure. In some things, one or another political party or politician tend to reveal themselves and in other things, on the other hand, they continue to send out very unclear signals.

The greatest positive surprise of this week—and that does not mean that it is a surprise only for me—is the lightning-fast start made by the ODS [Civic Democratic Party] in Slovakia (according to the most recent survey made by the Computerized Information System) which achieved 8 percent of the election preferences in a coalition with the DS [Democratic Party]. It is not much, considering the HZDS [Movement for a Democratic

Slovakia], but it is a mere 1 to 2 percent below the level of the former Communist Party of Slovakia (today's SDL [Party of Liberal Democrats]) and below the level achieved by the SNS [Slovak National Party] and yet it is 1 percent higher than the well-broken-in KDH [Christian Democratic Movement], headed by Slovak Prime Minister Carnogursky, and double the level achieved by the ODU-VPN [Civic Democratic Union—Public Against Violence], which prides itself on a mass of federal as well as Slovak ministers. We would wish parties such as the KDH and the ODU-VPN alliance the greatest number of votes during the elections, and we are vexed by the fact that according to existing public opinion polls they are receiving so little support, but it is their fault and not ours. This election poll, as well as our experiences based on a number of meetings are for us an argument in favor of not weakening our efforts in Slovakia and of gathering more votes in the course of the next poll.

The second significant event of this week was the energetic declaration by the HZDS, through the mouth of Vladimir Meciar. It is a good thing that it arrived here; at least many an item which was previously only hinted at is now clearer. This declaration contains an unequivocal announcement regarding the espousal of a federation and, on the other hand, the abandoning of the existing federation. In this regard, the ODS states its clear and resolute no. Nothing more and nothing less. We are interested in a joint state of the federal type—in other words, in a truly common state—and are making efforts to make the maximum contribution toward seeing to it that it remains such. We are not interested in a confederation—in other words, in disestablishing the joint state—nor are any customs nor monetary unions (which were this week being promoted by a politician from the newly spun off SKDH [Slovak Christian Democratic Movement], M. Tkac, the deputy Slovak minister of finance) even worth talking about. But the key to everything will certainly be the elections. All of these preelection proclamations have a totally different significance and relevance if they are made by a party which is expected to receive 21 percent of the votes, rather than a party which will receive 51 percent of the votes.

The second important thesis put forward by the HZDS has declined somewhat; the thesis was approximately as follows: Do not hurry with a federal government; let the current government survive until fall and, in the meantime, solve the constitutional arrangement problem. However, for us, this represents a fundamental assault on the economic reform. The preelection period has already resulted in a visible loss of the reform pace. What is occurring is more of a routine continuation of items which were initiated, but all other new and so badly needed initiatives are being blocked and items which tend to retard are beginning to dominate again, as are old orders which tend to renew bureaucracies of all types. This is very dangerous and we cannot afford such hesitation. This would mean sliding into the Polish model of a nonfunctioning parliament, a weak government incapable of action, and the halting of any kind of



reform. The CSFR just now has a unique opportunity to become the only postcommunist country to permit actual proreform rightist forces to win during the elections in this difficult transitional period.

However, this requires the actual and not only proclaimed unity of the right as well as such positions, from which it is clear that we have common enemies on the left of our political spectrum and not such positions in which the individual rightist parties are attempting to draw voters from each other to their own sides rather than going after the undecided vote. Even with the best of intentions, and trying to be tolerant to the maximum degree possible, can I consider the principal "poster" slogan formulated by the ODA to be a unified position with respect to the postcommunist danger in the stands adopted by the Social Democrats or by the LSU [Liberal Social Union]; I cannot even consider a number of positions put forward by the KDU-CSL [Christian and Democratic Union—Czech Liberal Party] coalition. Let us not make the gross mistake of politicization prior to the elections; let us stay with politics and, particularly aware of all consequences, let us approach the historic crossroads which is undoubtedly represented in this country by the June elections—for the third time in this century.

#### **Idea Not 'Viable' to ODS**

92CH0581B Prague TELEGRAF in Czech 7 May 92  
p 1

[Report by (dap): "The Confederation Is Nonfunctional!"]

[Text] The Civic Democratic Party [ODS] is insisting on its prerequisites for a common state—a federal arrangement and the continuation of the economic reform. It says it is based on the interest of the citizens of the Czech Republic in maintaining good relations with Slovakia and, for that reason, is attempting to do as much as it can in Slovakia—even through its political activities.

If this activity of ours were not to succeed, we are prepared to create mechanisms for the rapid, cultural, and problem-free partition of the state. This declaration was made by ODS Chairman Vaclav Klaus, federal minister of finance, to journalists at yesterday's briefing.

As the ODS chairman continued, this is a reaction to Monday's proclamation by the chairman of the HZDS [Movement for a Democratic Slovakia], Vladimir Meciar.

Today, it is more than clear that the HZDS is deliberately aiming at establishing a dualistic state in which two independent states, which would be developing and acting in different ways, would exist under the formal and nonfunctional shell of a "common" state.

We consider the confederate solution to be neither functional nor viable. The voters should be fully aware of whether the ballot which they cast will be a vote for

partition or the continuation of our common state, the ODS proclamation continues.

Referring to the most recent results of the poll of voter preferences, the ODS chairman stated that he considers the "rocketlike start" of the ODS in Slovakia to be an extraordinarily important signal. In his words, the ODS would like to make the maximum contribution toward cementing together the nonleftist forces in the Slovak Republic. The popular personalities who will support the ODS in the election campaign would include, among others, even the actors Pavel Zednicek and Boleslav Polivka in South Moravia Kraj.

#### **Slovak Opinion on Unemployment Reviewed**

92CH0583A Bratislava NAZORY in Slovak No 1, 1992  
pp 30-33

[Unattributed article: "The Citizen and Unemployment"]

[Text] The growing unemployment, a phenomenon which accompanies the implementation of the economic reform, may be currently regarded as one of our main societywide problems.

The purpose of our representative public opinion poll was to ascertain how respondents assess the prospects for their employment. One-fifth of all employed respondents expressed their assurance that they will have jobs in 1992. Nearly one half (47 percent) of the employed respondents considered that probable, while 3 percent of the citizens expected to lose their jobs, and 15 percent of the respondents thought it a probability. The rest were replies by respondents who could not assess the situation or who already had lost their jobs.

The results of the poll demonstrated that a major part of our population views the prospects for their employment with optimism. On the basis of a detailed data analysis, we may conclude that especially manual workers, white-collar employees, citizens 30 to 49 years old, and high school graduates did not feel any immediate threat of unemployment. On the other hand, the 25-to-29-year-old respondents in particular expected to lose their jobs.

The above problems were closely connected with the question, when, in the citizens' opinion, would the situation of unemployment improve?

The highest number of respondents (31 percent) assumed that the situation will improve in four to six years. Citizens from 30 to 39 years old (37 percent), white-collar employees (36 percent), and respondents with training in trades (36 percent) in particular expected an upturn within the aforementioned period.

Citizens 18-24 years old (34 percent) and respondents from groups of communities with 2,000 to 10,000 inhabitants (34 percent) expressed the view that the situation of unemployment would improve in the course of two or three years.

The group which estimated that period at seven to 10 years consisted predominantly of the residents of western Slovakia and of cities with more than 100,000 inhabitants, represented by equal shares (22 percent).

Respondents 25-29 years old (18 percent) were particularly pessimistic in their assessment of the situation (improvement will take more than 10 years).

The loss of employment is an existential problem which distinctly affects human life.

The following table demonstrates to what extent, according to citizens' views, objective social conditions and the subjective factor share in it:

The fact that a person is unemployed is...	
	In Percent
His own fault	1
Largely his own fault, but also due to general social conditions	9
Equally the fault of a specific person and of general social conditions	12
Largely due to the inefficiency of the socioeconomic system, but in some respects, also the individual's own fault	34
Completely due to the socioeconomic conditions	41
Don't know	3

On the basis of the collected data we may state that most of the respondents (41 percent) ascribe the unemployment rate entirely to economic and social conditions. The most typical proponents of this view were respondents 50-59 years old (57 percent), followed by numerically almost equally represented groups of the residents of central Slovakia (48 percent), respondents with basic education (47 percent), and residents of communities with 2,000 to 10,000 inhabitants (46 percent).

White-collar employees (42 percent) were most frequently represented by citizens who tended to connect unemployment with the shortcomings of the socioeconomic system, but who at the same time also blamed to a certain degree the unemployed themselves. This view was held by equal numbers of respondents in ages ranging from 30 to 39 years and from 40 to 49 years (39 percent).

### Social Security Net Considered Inadequate

92CH0583B Bratislava NAZORY in Slovak No 1, 1992 pp 33-35

[Unattributed article: "Social Security Net Through Public Eyes"]

[Text] The implementation of the economic reform should go hand in hand with remedies for social problems. The social security net helps soften the impact of the spreading unemployment on our citizens and their declining living standard.

We studied the experience of our citizens of its effect by asking whether they think that the current social security net does or does not fulfill its purpose—namely, to assist people who have found themselves in the greatest need.

The results of our opinion poll demonstrate that the overwhelming majority of our population (68 percent) views the effectiveness of the social security net unfavorably. Among individual groups of our population, respondents over 60 years of age (38 percent) and pensioners (37 percent), as one of the socially weakest strata of citizens, gave it a completely negative rating. Respondents in the 50-to-59-year age category (36 percent) and citizens with basic education (35 percent) adopted an equally critical view.

A statistically significant criterion in replies "its effect is more positive than negative" was the respondents' age, as this was the chosen answer of citizens 25-29 years old (47 percent), 40-49 years old (45 percent), and 18-24 years old (44 percent). Among other groups of our population, particularly white-collar workers (45 percent) also were inclined toward the same opinion.

### Short Overview of Economy's 1991 Performance

92CH0599A Prague DOKUMENTACNI PREHLED in Czech 16 Apr 92 pp H 3-7

[Unattributed report published by the Federal Statistical Office: "The National Economy of the CSFR in 1991—Excerpts From the Report by the Federal Statistical Office"]

[Text] In 1991, economic development in the CSFR was characterized by a broadly based transformation process aimed at creating a market system. Key points in this process were the virtually complete liberalization of all price factors, the substantial liberalization of foreign trade and of the foreign exchange system, and preparation for and initiation of privatization. The sales barrier, which came into being as a result of lower real wages for the population, a substantial decline in exports, and an attenuation of investment activities, which was, in part, also caused by insolvency in the production sphere, led to a palpable loss of production efficiency in all production sectors.

The sphere of external economic relationships exerted a strong influence upon economic development in the

CSFR in 1991. It was primarily here that the progressing breakdown of markets in the countries of the former CEMA area had a negative influence. In 1991, the Czechoslovak economy was unfavorably influenced by the economic consequences of the crisis in the Persian Gulf and by developments in Yugoslavia.

The aggregate expression of developments in the Czechoslovak economy in 1991 was the decline in the gross domestic product compared to last year in constant prices by 15.9 percent, according to preliminary computations. In the framework of this decline, the gross domestic product in the production sphere was lower by 19.5 percent and the consumed national product was lower by 32.4 percent. The capital formation fund in 1991, according to estimates, amounted to 16.9 percent of its level during the previous year, and the fund of nonproduction consumption was 77.1 percent of its level last year.

#### Transformation

The key component of the transformation process is development in the private sector. Toward the end of 1991, 1.338 million private entrepreneurs were registered. A sizable portion of them, however, have thus far engaged in business activities occasionally, in addition to their principal mode of employment, or worked for other businessmen essentially in an employee status. By the end of the year, the Enterprise Register had recorded 12,431 private entrepreneurs.

In January 1991, the process of small-scale privatization was begun. In the Czech Republic, some 14,013 operating units, having a cumulative value of 14.8 billion korunas [Kcs], were sold at public auction this year to private owners or were rented on a long-term basis. In the Slovak Republic, between 14 February 1991 and 5 January 1992, some 7,282 units with an auction price of Kcs8.8 billion were successfully auctioned off.

The first step in the transformation process at the beginning of 1991 was the broad liberalization of prices in the consumer and production sphere, which was followed by a steep rise of all prices with the exception of those involved in agricultural production. However, the price explosion soon abated. Between June and October, the level of consumer prices stagnated at the level attained; a mild price increase occurred during the final two months of the year. This was caused by the increase in the prices of food and services.

On the basis of the development of consumer prices, the annual measure of inflation in 1991, compared with 1990, amounted to 57.9 percent. The annual inflation as of December 1990, brought about by price liberalization, amounted to 45.3 percent.

#### The Cost of Living

In December 1991, consumer prices, when compared to December 1990—which was the last month prior to liberalization—were 53.6 percent higher, with the price

of foodstuffs being 36.1 percent higher, the prices of nonfood items being 67.7 percent higher, and the prices of services being 52.2 percent higher. The increase in consumer prices caused the cost of living to rise. In comparison with December of 1990, living costs in December 1991 were higher in the households of workers and employees by 49.5 percent, in the households of farmers the increase was 50.4 percent, and in the households of retirees the increase was 52.2 percent.

The movement of prices of industrial products and construction work in 1991 was also characterized by a sharp increase at the beginning of the year (in January and February) and subsequent stabilization of this price level, which lasted through the end of the year. In December 1991, these prices were 54.8 percent higher than they had been in December of the previous year.

Nominal monetary income of the population in December 1991 was higher than in December of the previous year by 43.6 percent; the annual aggregate for 1991 exceeded the aggregate of incomes for 1990 by 14.5 percent. Thus, population income was growing at a considerably slower rate for most of the year than was the level of consumer prices or of the cost of living. Consequently, real wages of the population in 1991 were 25.6 percent lower than they had been in the previous year.

Because spending by the population in 1991 was lower, on balance, than was population income, the volume of unrealized resources grew by Kcs47.3 billion. The population then used these unrealized resources to increase their deposits with monetary institutions by Kcs35.1 billion. In addition, the population had Kcs25 billion deposited in foreign exchange accounts, which is some 153.8 percent more than was the case a year ago.

Total retail sales and sales in public catering in current prices were estimated in 1991 to have been 2.2 percent lower than in 1990 and total sales expressed in physical units were estimated to have been 39.2 percent lower.

Investment activity also declined expressly. The overall volume of investments, including investments by the private sector, was estimated in 1991, in comparison with the previous year, to have been lower by 33.8 percent, a factor which was reflected in lower demand for capital goods and outputs in public freight transportation.

#### Foreign Trade

The decline in exports had a very palpable effect upon lowering production efficiency of the economy in 1991. According to calculations, export volume, compared to the previous year, was lower by 16.5 percent. During the course of 1991, total exports showed a mild increase, but this increase was lower than the level of increase a year ago. The external economic balance and stability of the rate of exchange of the koruna in terms of convertible currencies were maintained in 1991, while internal convertibility was preserved. Expressed in physical terms,

overall imports were 33.7 percent lower in 1991 than they had been the previous year. Developed countries with market economies accounted for 51.9 percent of the export volume, and 48.9 percent of the import volume.

The current balance-of-payments account showed a favorable result. According to preliminary results, 1991 resulted in a surplus of Kcs10.5 billion (\$356 million). Gross indebtedness in convertible currencies during the year increased by \$1.3 billion and, by the end of the year, amounted to \$9.4 billion.

### Production

Overall industrial production, including small enterprises and the private sector in 1991, was, in comparison with 1990, lower by 21.2 percent according to preliminary computations. The greatest decline occurred in the processing sectors.

The decline in production efficiency in the construction industry was even greater. Construction production overall, including the output of small enterprises in the private sector, was lower by 30.5 percent in 1991, according to preliminary computations, than it had been the previous year. The output of public freight transportation in 1991 was 76.8 percent of the output for the preceding year.

Gross agricultural production in 1991, according to preliminary results, reached a level of 91.2 percent compared to the previous year, including plant production (101.5 percent) and livestock production (83.8 percent). The harvest of grains overall, including corn, amounted to 1.8 million tons, that is to say, 94.3 percent of the harvest level of 1990. In comparison with the preceding year, the 1991 potato harvest was 107.1 percent, the sugar beet harvest was 98.3 percent, the vegetable crop was 108.5 percent, and the fruit crop was 112.7 percent. Compared to the previous year, livestock numbers declined: in the case of cattle, by 11.7 percent, hogs by 0.7 percent, poultry by 10.3 percent. The utility of domesticated animals also declined.

### Unemployment

The decline in production and organizational changes led to an increase in unemployment. By the end of 1991,

labor offices had recorded 523,700 job applicants, that is to say, 444,600 more than at the end of 1990. The measure of unemployment at the end of December 1991 amounted to 6.6 percent of the entire available manpower.

The average monthly gross nominal wage in the national economy in 1991, when compared to the previous year, was estimated to be higher by 16.4 percent. During the course of the year, the rise in average wages accelerated with a specific increment occurring in December.

An important role in asserting a restrictive antiinflationary policy was ascribed to the state budgets. Budget estimates for 1991 were based on a surplus of Kcs8 billion. According to investigations, as of 20 February 1992, the actual budgetary revenues in the aggregate of all three budgets were 95.1 percent fulfilled by the end of the year and total expenditures amounted to 100.4 percent of the annual expectations. The aggregate of the state budgets showed a shortfall of Kcs18.6 billion.

### The Czech Lands and Slovakia

In view of certain specifics affecting the economic base on the territory of the Slovak Republic, the 1991 economic and social consequences of the transformation process had a different impact in the Czech Republic and in the Slovak Republic. Whereas, in the Czech Republic the December 1991 level of consumer prices was higher by 52 percent in comparison with the same month of the previous year, in the Slovak Republic this level rose by 58.3 percent. In December 1991, the cost of living, when compared with that of December 1990, was higher in the Slovak Republic than in the Czech Republic in worker and employee households by 4.5 points, in peasant households by 8.2 points, and in retiree households by 4.6 points. The problem of unemployment turned out to be much more severe in the Slovak Republic. At the end of 1991, labor offices in the Czech Republic had registered 221,700 job applicants, and in the Slovak Republic this number was 302,000. This was reflected in the measure of unemployment in the Czech Republic, which was 4.1 percent; in Slovakia it was 11.8 percent of the total available manpower. A shortfall in the state budget at the end of 1991 for the Czech Republic amounted to 6.5 percent and was 8.8 percent for the Slovak Republic in terms of actual budgetary revenues.



### **Demands at Protest Against Danube Dam Detailed**

*92CH0557B Budapest NEPSZABADSAG in Hungarian 27 Apr 92 p 3*

[Article by Ferenc Hajba: "Demonstration for the River: Let's Let the Danube Live; An International Conference in Dunaszerdahely"]

[Text] Daily politics barely penetrated Dunaszerdahely [Dunajska Streda], Slovakia, the site of the Danube Conference. Yet this professional forum convened soon after the former Austrian finance minister had acknowledged his plans for Bos [Gabcikovo], and Marian Calfa had written in a letter to the Hungarian prime minister that Budapest did not have a constructive proposal.

"Let's Let the Danube Live!" proclaimed the invitation to the event. Acknowledged Hungarian environmentalists spoke of the inestimable value of Europe's largest source of fresh water—Hungary draws nearly 45 percent of its drinking water from the area of the hydroelectric power plant whose future is still undecided—and of the very serious geological and geophysical risks associated with building the "Danubesaurus." Biologist Janos Vargha outlined a solution. In his opinion, as a part of restoring the natural conditions, a more meandering riverbed must be developed, and navigation along the rehabilitated Danube arms must be resumed while maintaining a navigable channel 80 meters wide. He felt that the widening of the flood plains and reforestation were essential to protect the groundwater resources.

Representatives of Slovak science were also among the speakers who addressed the mayors from the Csallokoz [Velky Zitny Ostrov] and the Szigetkoz. More and more Slovak environmental experts are protesting against version C. International lawyers and ecologists from Austria were likewise present.

At the commencement of his emotional lecture, Professor Bela Liptak announced that the environmentalists would be holding an international press conference at 1800 on 2 May, at the MUOSZ [National Federation of Hungarian Journalists] headquarters. The world's biggest television networks will be covering the press conference, and afterwards there will be a large-scale demonstration. The world must be informed, said the professor from the United States, that this is not some sort of Balkan quarrel. Rather, the people are joining battle against "a brewing environmental holocaust."

Bela Liptak did not rule out the possibility that a certain proportion of Hungary's debt might be forgiven if the country were to spend that money on environmental protection and the restoration of natural conditions in the area of the proposed dam. There already are precedents for this in the world, but up to now this has been allowed only in the case of countries unable to service their debt, the professor emphasized.

After the lectures, the mayors of the communities along the Danube adopted a joint standpoint demanding an immediate halt to construction work under version C. They also urged the commencement of work as soon as possible on solving the flood-control and navigation problems that have been neglected for decades. But the solution must be such that leaves the river in its channel.

### **New Disturbances in Foreigners' Detention Camp**

*92CH0579C Budapest MAGYAR HIRLAP in Hungarian 28 Apr 92 p 5*

[Article by K.L.: "Another Insurrection by Residents of Kerepestarcsa Camp"]

[Text] Residents of the Kerepestarcsa camp revolted once again; order has been restored only after using rubber truncheons and tear gas, according to National Police Command press chief Gyorgy Suha. We were informed that some 20 Chinese, joined by a few citizens of Bangladesh and Pakistan, threw objects found in the living quarters at unarmed guards Saturday evening. The enraged foreigners totally destroyed the furnishing in their quarters and even tore down the heating elements. The extent of devastation is indicated by the fact that the building had to be completely evacuated because it became unfit for human habitation.

The head of the camp sought assistance from the Police Battalion; only with its help was it possible to restore calm. Only one policeman suffered injuries in the course of the action, and that was caused only by accident.

Some of the foreigners also suffered light injuries; the only severe injury was suffered by one of the rebels when he fell on the stairs. The residents of the camp did not even make an attempt to break out of the camp in this instance.

According to camp officials, the increasingly frequent attempts to upset order are due to the uncertain situation of the foreigners: Saturday's revolting Chinese have been waiting to be deported since February. The situation is becoming increasingly worse, despite the availability of closed circuit television and other efforts to make the forced stay of residents more tolerable. A real resolution of the problem would require speedier handling of every detainee's case and the earliest possible return to their homelands.

### **Justice Minister on Charges, Constitution**

*92CH0579A Budapest NEPSZABADSAG in Hungarian 23 Apr 92 pp 1, 4*

[Interview with Justice Minister Istvan Balsai by Andras Sereg; place and date not given: "The Justice Minister Complains About a Concentrated Attack by the Opposition; Dr. Istvan Balsai: There Is No Need for a New Constitution"—first paragraph is NEPSZABADSAG introduction]



[Text] In an interview granted to this newspaper Dr. Istvan Balsai claimed that as a result of appointing chairmen of the courts he had come under an attack of a magnitude not experienced before by any of his fellow ministers. The head of the Ministry of Justice also discussed criminal procedural reform, in the framework of which the ministry would, for example, replace the institution of protest based on the legality of action [*torvenyessegi ovas*—a longstanding legal institution abused by the communists for their own purposes, recently struck down as unconstitutional by the Constitutional Court] with the institution of a plea for nullity and would also introduce the institution of bail. The minister explained why it was necessary to change the election law and why there was no need for a new constitution, for now.

The first question asked by the NEPSZABADSAG reporter from Dr. Istvan Balsai was as follows.

[Sereg] Mr. Minister, the first round of competitive applications for judgeships is complete. You have been severely criticized in conjunction with the appointment of court chairmen, and you have reacted rather emotionally to these criticisms in an interview.

[Balsai] I read the collection of press reactions to the appointments upon my return from abroad. At that time I did, indeed, have a very adverse view of the political and professional seriousness of the opposing views. I felt that I had to react to the attacks aimed at me, attacks of a kind no fellow minister of mine has experienced thus far. Incidentally, I still maintain what I said at the time.

[Sereg] In that statement of yours you used one or two adjectives that stunned several individuals. For example, you called your debating partners "infantile." That's quite unusual, coming from a minister.

[Balsai] I used the expression "politically infantile." But let me say this: I did not start this debate; I only reacted to punches below the belt. The spokesman of one of the parties seated in parliament said that Istvan Balsai had entered his name in black letters into Hungarian legal history. The vice chairman of another party used even more offensive terms in describing my political and professional role. And since ministers are also human beings, I believe that they, too, are entitled to rights to which everyone else is entitled: A minister may also express his opinion relative to this case. This much about the political background of the case. Insofar as the professional aspects of this matter are concerned, the National Assembly Committee on Constitutional Law has clearly sided with me. Quite naturally, I am also aware of the fact that petitions have been filed with the Constitutional Court. Yes, but those do not attack the minister, instead they challenge the legal provision itself.

[Sereg] Meanwhile you have issued a new call for applications for three chairmen's posts, and in this case your opinion coincided with the position taken by the all-judicial conferences. Did you exercise self-criticism?

[Balsai] No, I did not exercise self-criticism. Had the judges view differed from mine, I would still have appointed the three candidates I have happened to appoint in the end.

[Sereg] The role played by the all-judicial conferences appears to be more of a formality.

[Balsai] That is not at all the case. The all-judicial conferences play an important informational role in the competitive system.

[Sereg] Mr. Minister, in the course of exercising administrative supervision over courts, your responsibility extends not only to personnel but also to material issues. There may be good laws and outstanding leaders in courts, but citizens also measure the standards of the the administration of justice by the speed of rendering final decisions. The situation is catastrophic in this regard: The windmills of God grind very slowly.

[Balsai] More improvements have been made recently in the personnel and material conditions of courts than all the improvements that had been accomplished during the past two decades. I would mention a few facts. The number of judges has been increased by 600, salaries have been doubled, and the infrastructure for the administration of justice has been augmented with the addition of about 50 buildings. We are spending hundreds of millions of forints to computerize the systems, and billions of forints for buildings. There is a lot of detail work left, of course. I would like to improve the efficacy of the administration of justice in the next two years. To accomplish this, however, we must review the procedural rules, because irrespective of available documents and the intent of the various parties, judges are obligated to get at the full truth. Many believe, however, that this is not the case, and that instead of getting to the truth, judges should decide legal disputes, and on top, the foundations of their decisions should not be infringed upon either.

[Sereg] Many criticize the administration of justice for yet another reason: While the crime rate shows a steep increase, the sentences pronounced by judges become increasingly lenient.

[Balsai] I do not believe that the sentences are lenient, the problem is much rather the slowness of processing cases. The primary reason for this slowness is difficulty experienced by the police and the prosecutor's office in performing their tasks. And I am not certain that imprisonment is the most suitable punishment in every case to achieve the goals of punishment. While the number of crimes against property has increased within the overall scope of criminal activities, most sanctions continue to call for imprisonment. Experience abroad also indicates that monetary penalties and conditional release coupled with strong supportive supervision are far more effective means to fight great crime waves.

[Sereg] What supports the preference for conditional release?

[Balsai] Some repeat offenders fear imprisonment to such extent that they are willing to abide by basic conduct rules over a long probationary period in order to avoid being imprisoned.

[Sereg] The legislative proposal concerning prosecutors will be presented to the government soon.

[Balsai] We believe that the government should supervise the prosecutors' offices.

[Sereg] Would the supreme prosecutor become subordinate to the minister of justice within this framework?

[Balsai] Although the supreme prosecutor could receive directions through the minister, he would not function as a subordinate, as that term is understood in the context of an office relationship.

[Sereg] To what extent is the appointing authority of the supreme prosecutor going to change?

[Balsai] Based on our recommendation, the minister of justice would have authority over personnel. I would like to stress, however, that the legislative proposal would leave the organizational integrity of prosecutors' offices untouched.

[Sereg] Not too long ago, the Constitutional Court struck down as unconstitutional the institution of protest based on the legality of action. The passing of time calls for action: Present rules lose force as of 31 December 1992.

[Balsai] We start out from the fact that as long as we have not adopted a final position regarding the organizational structure for the administration of justice, we would not recommend the establishment of another tier, in addition to the present three-tier court system.

[Sereg] Accordingly, the idea of establishing a court of appeals has been taken off the agenda.

[Balsai] We are not prepared to establish this court. This is why we plan to replace the protest based on the legality of action with the plea for nullity. As you know, in the past only the chairman of the Supreme Court and the supreme prosecutor have had authority to file a protest based on the legality of action. On the other hand, entering a plea for nullity would be the individual right of every party to a suit: The way it worked with the protest based on the legality action, within a certain time limit one could appeal to the Supreme Court any final judgment of a court deemed to lack grounds or to be in violation of laws. All this should not be understood to mean that we have permanently abandoned the idea of having an appeals court. Only the available time is too short.

[Sereg] What is the substance of the amendments to the election law?

[Balsai] The government is going to submit amendments to the election law together with the nationalities law; we

intend to settle the political representation of nationalities in the National Assembly as a result of these. The essence of our proposal is this: Instead of the present practice of having two ballot forms, voters would receive three ballot forms. By using the third ballot form one could vote for the national slate of nationality representatives. As a result of votes cast for the nationalities slate, nationality representatives would be seated in parliament based on the rules of general suffrage. At the same time, however, voters could deposit into the ballot box only two of the three ballot forms: One would represent a vote cast for an individual candidate, the other a vote for either the nationalities slate or the party slate.

[Sereg] Mr. Minister, at a committee hearing two years ago you had promised to start drafting a new constitution toward the end of the term. What is the situation at midterm?

[Balsai] I do not see a practical opportunity to start drafting a constitution during this term of parliament. And aside from the lack of a practical opportunity, I do not see a political necessity to draft a new constitution. I am convinced that the Constitution presently in force is consistent with the criteria of a constitutional state.

#### **Political Dismissals at Medical Institute Charged**

*92CH0579B Budapest NEPSZABADSAG in Hungarian  
28 Apr 92 p 4*

[Interview with Maria Szlatky, former employee of the Semmelweis Medical History Museum, Library, and Archive, by Andrea Rimay; place and date not given: "Housecleaning at the Medical History Museum?"—first paragraph is NEPSZABADSAG introduction]

[Text] After dismissing Judit Gyenes, the widow of Pal Maleter [military leader of the 1956 revolution], her boss, Dr. Maria Szlatky, has also been dismissed from the Library and Archive of the Semmelweis Medical History Museum. The reason: incompatibility. Nevertheless, some tense conflicts can be seen in the background.

Maria Szlatky has worked for the institute since 1973; she received her notice of dismissal on 22 April, but she is convinced that the dismissals have not come to an end.

[Szlatky] Dr. Maria Vida replaced Jozsef Antall, the previous director, after his departure. In the course of two years she has managed to create an atmosphere of fear in which it was impossible to work. Our institute was able to remain an island of calmness even in the party-state environment. But the results of becoming intoxicated with power have become unbearable by now. Liberal thinkers have no place among informers and people who cater to power. This could have been the immediate reason for my dismissal. My relationship with Maria Vida has never been perfect, but the conflicts between the two of us surfaced as a result of Judit Gyenes' dismissal. I had the best possible working relationship with Gyenes, and I, as her boss, was not even

aware of her dismissal. Inquiring about her dismissal I was told by the leadership that I was not informed about the dismissal because I would have opposed it. This is true, of course. I would not have recommended the removal of an excellent worker. This is why I was next in line.

[Rimay] What caused this great change in the institute's atmosphere?

[Szlatky] Maria Vida supports every decision she makes by claiming that she acted with the concurrence of our former director, the prime minister. She takes steps involving even the smallest detail by making reference to Dr. Antall. As long as Jozsef Antall was the director, his personal presence guaranteed the settlement of any concern, regardless of whether those concerns were small or large. He is no longer there. There evolved a dictatorial system with which one could not even argue. Our director is not willing to reach any kind of agreement or to communicate.

[Rimay] Do you believe that dismissals are going to continue?

[Szlatky] They will, I'm sure. At this point already, one sees totally strange faces, and at least five outstanding professionals are threatened with unemployment. Maria Vida is trying to build her own staff. This group of people, however, is not composed of professionals.

[Rimay] If I understand you correctly, the prime minister has something to do with this.

[Szlatky] I am certain about one thing: If Dr. Antall is providing instructions concerning the management of the institute, Maria Vida is implementing those in the worst possible way. She enjoys the support of highly placed persons so that nothing inhibits her actions.

#### **Fodor on FIDESZ's Attitude Toward MSZP**

92CH0572A Budapest KRITIKA in Hungarian Apr 92  
p 6

[Interview with Gabor Fodor, Alliance of Young Democrats leader, by Gyozo Matyas; place and date not given: "Orange Humor + Expertise = Alliance of Young Democrats' Power?"]

[Excerpt] [passage omitted]

[Matyas] Anyhow, if elections were held today, the indications are that FIDESZ [Alliance of Young Democrats] would win. That also raises the question of possible combinations for a coalition.

[Fodor] I too believe that enormous responsibility rests on FIDESZ's shoulders because momentarily we have the best chance of winning the next elections. Therefore we must be careful to avoid giving anyone the impression that popularity has made us conceited and pompous, because then we would be venturing out on

the ice without our skates on. Naturally, these indications do not mean that we will actually win the elections, just that we have a good chance to do so. In my opinion, that lends FIDESZ a large measure of composure and equanimity in its relations with the other parties as well. Also our relations with the SZDSZ [Alliance of Free Democrats], burdened with debates and polemics, have calmed down and are now quiet. Although the SZDSZ is coping with fairly serious internal problems at present, I do not think that should make FIDESZ feel particularly self-satisfied or happy. For us it would really be important, essential, that the SZDSZ remain a normal, sound and strong party, because we truly need partners. The SZDSZ is now heterogeneous, a conglomerate drawing support from many directions. Starting out from these characteristics, it is difficult to predict in which direction the party may swing and with what kind of aspect it may enter the elections two years hence.

[Matyas] Do you think it is conceivable that any party from among the present ruling coalition might be a partner of yours if FIDESZ were to form a government?

[Fodor] Yes, it is conceivable. But before I expound on this, allow me to say that we very definitely reject the present coalition and the coalitional government. I emphasize this also because rumors are popping up from time to time that FIDESZ will join the coalition if the Smallholders drop out. I must make quite clear that there is no question of that happening. For me the ideal solution would be if at present—i.e., in February of 1992, for no one knows exactly what the situation will be in 1994—FIDESZ as the dominant political force had the SZDSZ for its partner. I would not bar the way even toward the MSZP [Hungarian Socialist Party], although I have to add that in their case we would be obliged to set conditions. I really think the MSZP has changed during the past two years. We must take cognizance of the fact that the MSZP's popularity is growing, as the opinion polls show. Furthermore, it is also worth noting that basically the MSZP is getting everything right in its politics. At the same time, it would be desirable if the MSZP were to sever its past links with the party-state, in terms of personnel and practices as well. Over and above that, also the MSZP's relations with the trade unions are questionable. [passage omitted]

#### **MDF's Konya, FIDESZ's Orban Hold Debate**

92CH0557A Budapest NEPSZABADSAG in Hungarian  
27 Apr 92 p 4

[Article by Sz.Z.D.: "Whose Interests Would a Grand Coalition Serve? 'Vital Questions' in Szekesfehervar—With Imre Konya"]

[Text] (From our correspondent) For the Saturday night filming of the debate for the latest edition of the "Letkerdések" [Vital Questions] show in Szekesfehervar, the hall of the House of Technology was filled to capacity. The topic debated on this occasion was democracy. The debate was between Imre Konya and Viktor Orban,

caucus leaders of the MDF [Hungarian Democratic Forum] and FIDESZ [Alliance of Young Democrats] respectively.

Of the six parliamentary parties, FIDESZ regards five as democratic (Torgyan's Smallholders Party is the exception); if they agree on essentials, in a given case FIDESZ would be capable of concluding an agreement with any one of them, Viktor Orban emphasized. He added that the Young Democrats would continue to favor a grand coalition as their preferred solution. A grand coalition would serve the interests of FIDESZ rather than of the country, in Imre Konya's opinion. The MDF's program is similar to that of the Smallholders, he added later. But it is inconceivable that they could work together with the Socialists. After all, a change of political systems is not in the interest of the MSZP [Hungarian Socialist Party].

Referring to the Konya-Peto debate, Peter Feledy, the moderator, quoted Viktor Orban who had said that the MDF caucus leader, "like a conductor of hate, has given a cue, and we must be very careful not to let ourselves be provoked." The FIDESZ caucus leader felt that on the given occasion there had been a definite unity of execution between the audience and Konya. However, the way the MDF caucus leader recalled the occasion was that he had attempted to help Ivan Peto in the debate, but the latter had unnecessarily gotten into an argument with the audience. That remark met with laughter as well as applause. But both caucus leaders agreed that the parliamentary parties were not mutual enemies who had to be eliminated.

The debate then continued without any particular excitement. At most the contrasting opinions evoked expressions of approval varying in their intensity. The question of religious instruction, for instance. According to Viktor Orban, religious instruction should not be tolerated within the walls of academe. On the other hand, Konya feels that the 40 years of atheistic ideology, and the need to create equal opportunity warranted religious instruction in schools.

On the question of public-service media, the FIDESZ caucus leader declared that it was not normal for the vice president of a political party to address an appeal to the nation regularly every Sunday. Konya replied that the situation would be different if FIDESZ had a political commentator of its own as good as Csurka. Viktor Orban immediately made it clear that his party never needed or would need a political commentator of Csurka's caliber.

The two caucus leaders' opinions differed sharply on the opposition's role. In the present situation Konya would want the opposition to be more constructive and to show more understanding. According to Viktor Orban, however, the opposition's constructive attitude is unmatched anywhere else in the world. Proof of this is the opposition's unwillingness to discredit the government with social demagoguery. But he objected that the coalition systematically voted down their best proposals. One questioner wanted to know why the government was not

taking action when it was obvious that the state budget had collapsed. Konya argued that the anticipated revenue had not flowed in, and not even the opposition's proposals could have remedied the situation. Viktor Orban emphasized that the trouble had been foreseeable. As the main speaker of the FIDESZ in the budget debate, he had pointed out that revenues had been overestimated and expenditures underestimated, but the government failed to take this warning into consideration.

The two caucus leaders' views differed also on the question of government responsibility. Konya felt that there was something wrong with the opposition's tactics; when anything happens, the opposition immediately demands ministerial resignations. According to Viktor Orban, no action is taken even when the identities of the persons who committed capital mistakes are known. In other words, the principle of personal irresponsibility is prevailing. Yet the government's credibility would only be enhanced if it were to rid itself of unsuitable people.

### First-Quarter Budget Deficit Viewed

#### Situation, Impact Analyzed

92CH0552A Budapest HETI VILAGGAZDASAG  
in Hungarian 11 Apr 92 pp 96-98

[Article by Aniko Szanto: "Budget Deficit: No April Fools' Joke"—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] By the first of April, the state budget had a "flat tire." In Hungary that could be accompanied by a cabinet or government crisis of uncertain outcome. Which in its turn could harbor the danger of a shift to the right; or the promise that the evolution of a "civic" Hungary will finally begin, through privatization and budget reform.

There is nothing surprising in the fact that even government circles are now regarding as obvious what the opposition's parliamentary deputies had been emphasizing already last December, in the debate on the 1992 state budget. Namely, that the state budget's deficit in 1992 will presumably be between 100 and 120 million forints, in contrast with the government's estimate of 70 billion forints. Mihaly Kupa announced last week that "according to preliminary data, the state budget's deficit in the first quarter will probably be between 46 and 48 billion forints, as opposed to a planned prorated quarterly deficit of 36 billion forints."

The cause for this, according to the information the finance minister provided, is that many people are not paying the customs duties and taxes prescribed by law, and owe the treasury about 200 billion forints. For that reason, the minister announced, Draconian rigor and calling to account would follow, in the interest of improving revenue collection. Henceforth, for instance, imports would not be able to clear customs without first paying the customs duty. (As the kilometers-long lines of trucks proved, that was already true at the end of last



week.) In a surprise move, the finance minister also fired the head of the customs service. Anyone who owes the government taxes will not be able to claim state benefits guaranteed by law; nor a tax refund, including a VAT [value-added tax] refund according to a new regulation that is being drafted. The drafts of new regulations that the Ministry of Finance is preparing intend to limit the number of bank accounts firms will be allowed to maintain, and enterprises will have to meet their obligations toward the state even when they are in voluntary bankruptcy.

Incidentally, there is already some fudging in saying that the state budget's prorated deficit for the first quarter of 1992 is 36 billion forints. Because then the annual deficit would be four times 36 billion or 144 billion forints, which is twice as much as the projected annual deficit of nearly 70 billion forints. Yet it is unlikely that the government is sounding the alarm merely because its budget deficit on 31 March was more than what the International Monetary Fund had set as the limit for the first quarter of 1992. For the IMF had already agreed to make available Hungary's 1992 credit tranche specified in the three-year contract, even before the finance minister released his summary assessment of public finances last year and in the first quarter of this year; and next year's credit tranche is still far off. Incidentally, the first-quarter deficit of 47.4 billion forints (for details, see the Collection of Economic Data on page 113 in this issue) could still become a total deficit of 69.8 billion forints by the end of this year. In the first quarter of 1989, for example, the central budget was in deficit by exactly that much, and with the help of a 23-to-25-billion "firefighting measure" or "budget package" the Nemeth government was able to achieve that the year-end budget deficit was "merely" 55 billion forints.

#### Development of Entrepreneurial Profit (Billion Forints)

Branches of Economic Activity	1991			1992
	Plan	Estimate <sup>1</sup>	Interim report <sup>2</sup>	Plan
Industry	142.8	117.8	79.7	111.4
Construction industry	10.6	9.0	13.6	8.8
Agriculture, forestry	26.5	15.2	10.4	18.9
Transport, post, telecommunications	25.6	23.8	17.6	25.8
Domestic trade	65.0	66.0	43.5	70.0
Foreign trade	23.0	15.8	14.7	15.0
Management of water resources, other material branches	1.7	1.5	7.0	1.7
Material Branches Jointly	295.2	249.1	186.5	251.6

Financial services	88.0	106.0	56.2	116.6
Other nonmaterial branches	23.6	22.6	17.8	23.2
Nonmaterial branches jointly	101.6	128.6	74.0	139.8
GRAND TOTAL	396.8	377.7	260.6	391.4

<sup>1</sup>Last year's profit estimate by the government in December of 1991 in "The 1992 State Budget," Volume III, of National Assembly documents.

<sup>2</sup>Express report of the Office of Tax and Fiscal Auditing (APEH).

What could have induced Mihaly Kupa to reveal, even before the publication of the final figures, promised initially for 10 April but released this Monday, that the state budget "had flunked," whereas from his statements it appears that he wants to avoid at all cost having to present a supplementary budget? One can only attempt to guess the answer. The guess that probably comes closest to the truth is that this has been merely a "diversionary tactic" in response to the first panic over a budget deficit estimated to be 90 billion forints as recently as mid-March. But also the suspicion is not without foundation that the finance minister, famous for his undiminished optimism in every situation, wanted to reassure the public one last time, before the chaos created by the Bankruptcy Law, that although the budget deficit is greater than the prorated quarterly deficit, the national economic processes "are not in trouble," as he put it when interviewed on "A Het [The Week in Review]" on TV.

However, amidst the flood of voluntary bankruptcy petitions and liquidation proceedings, the central budget will not be able to expect any revenue from entrepreneurs for several months, and the state budget has used up practically all of its reserves during the first quarter, with the exception of issuing government securities to finance the budget deficit. The state budget's so-called consolidated fund, into which all revenue flows and from which all government expenditures are made, still had a balance of 62 billion forints on 1 January, but in the last days of March its [daily] balances were only between 15 and 20 billion forints. Of the 20 billion forints of privatization revenue planned for the entire year, 16 billion has already been collected. Thus, on the central government's initiative, living on state assets is in full swing.

In his budget message last year, the finance minister was still claiming that "Despite the shortfall of revenue, the state budget has not collapsed, because the government is pursuing a consistent policy regarding expenditure." It is merely a question of time when bankruptcy sets in. Specifically the process that was underestimated last year will be burying the state treasury this year. The central budget cannot count on collecting the estimated revenues from firms, nor from banks and other financial institutions. The same can be said of the social security fund, the solidarity [unemployment] fund, and of the other, separately administered state funds. The nearly 400 billion forints of entrepreneurial profit projected for



1991 in December of 1990 turned out to be merely 260 billion forints; and losses totaled nearly 200 billion forints, as opposed to the 20 billion that had been expected. As a result, the taxpayers concerned asked for refunds, practically to the last penny, of their estimated business-association tax payments in the first quarter of 1992; for the same reason, moreover, also the payments due this year will be less. Due to the recession, consumption last year was lower than planned, and it will probably be lower also this year, so the state budget can expect less revenue from consumption-related taxes as well.

Over and above all this, some experts believe that professional mistakes also crept into the budget's planning. According to documents from December of last year, the budget bill's sponsors had not expected the banks to set aside in 1991 any special reserves from their pretax profits; and they also overestimated by far the banks' profits for this year, despite warnings by FIDESZ [Alliance of Young Democrats] already at the beginning of last November, when the guidelines for drafting the state budget were being debated. Regarding the central bank's financial position, incidentally, the Ministry of Finance and the Hungarian National Bank are unable to agree even on the sign of the bank's bottom line. Ministry officials expect the central bank to show a profit of close to 20 billion forints this year. With the general decline of interest rates, however, officials of the Hungarian National Bank expect the central bank to show a loss, because the declining market yield is unable to compensate for the merely 8.8-percent interest that can be charged on "old" state debt.

Thus the finance minister is suggesting in vain that order in the state treasury will be restored once the authorities catch the many "wicked" tax evaders. Miscalculation by a government that tends to be optimistic in fiscal matters probably has played at least an equal role in the development of a budget deficit larger than planned. The economy's decline last year was greater than had been assumed, and for the time being there is no sign as yet of the 1 or 2 percent of economic growth planned for this year. Not in the least because the budget deficit's financing diverts capital from entrepreneurs. All this is happening, as Finance Minister Mihaly Kupa said on "A

Het," "at a time when the banking system is full of cash." For the central bank does not have any tool at its disposal with which to regulate the domestic supply of forints resulting from exchanging the hard currencies flowing into the country. Nor would the central bank particularly want to do so. Because with more money in circulation, it is easier for the government to finance the budget deficit and also to "help out" a few of the firms that find themselves in trouble since the Bankruptcy Law went into effect. Meanwhile, as evident from a statement Prime Minister Jozsef Antall made last Saturday, stimulation of the economy has again been raised to the level of a political program. And from that the cranking up of inflation is only one step away; or running through our hard-earned foreign exchange reserves quickly, which amounts to the same thing.

Aside from all this, however, hospitals have to treat patients, schools have to educate students, and presumably the workload of the police will not be getting any lighter either. But if the revenue collection is going to fall permanently short of what is needed to carry out all the tasks approved in the Law on the [1992] Budget, then perhaps we ought to start anew in Parliament the budget debate which failed so shamefully last December. In a democratic rule-of-law state it is intolerable for the government to act like it did last year, allowing the state budget's deficit to grow by more than 35 billion forints, without the National Assembly's knowledge and consent. Presumably the recipe Mihaly Kupa recommends cannot yet act as balm for the wounds inflicted on this year's state budget, namely that "it is now urgent to enact laws on public finances" as well as on education and health care, referring euphemistically to the last two laws as "expenditure-reducing measures." All this holds true even if the ruling parties wish to avoid at all cost another budget debate. A new, meaningful budget debate this year would undoubtedly suggest to public opinion, at home and abroad, that the vote of confidence the government received at the end of last year, when it rammed through passage of the 1992 budget bill, had been unwarranted.

#### Economic Data Tabulated

92CH0552B Budapest HETI VILAGGAZDASAG  
in Hungarian 11 Apr 92 p 113

[Text]

#### State Budget's Interim Balance—March 1992

##### Revenue

	1991 First Quarter		1992 First Quarter	
	Million Forints	Annualized (%)	Million Forints	Percent of Estimate
Payments from economic organizations	52,732	26.3	30,041	13.9
Profit tax	14,908	19.3	6,055	7.1
Payments due to special situations	15,836	49.0	4,554	17.5
Customs duty, import tax	14,521	23.6	17,121	25.7
Return on state assets	6,195	33.6	- 421	- 2.1
Gaming tax	0	0	392	6.0

**State Budget's Interim Balance—March 1992  
Revenue (Continued)**

	1991 First Quarter		1992 First Quarter	
	Million Forints	Annualized (%)	Million Forints	Percent of Estimate
Other	1,272	12.0	2,340	19.6
Consumption-related taxes	66,212	23.1	69,949	20.3
VAT	34,801	23.3	33,375	20.9
Excise tax	31,412	22.9	36,574	19.9
Payments from individuals	31,198	23.4	34,427	19.2
Individual income tax	28,700	23.0	31,300	19.3
Personal taxes	1,342	34.5	1,836	15.2
Fees	1,156	25.7	1,291	23.5
Payments from budgetary central agencies	3	0.1	1,715	65.7
Withdrawals from off-budget state funds	217	16.7	167	16.7
Payments stemming from international financial relations	2,347	21.1	2,677	33.5
Financial institutions' profit tax, dividends	12,370	27.8	7,172	11.4
Other revenue	1,637	40.8	972	20.3
Revenue related to debt servicing	8,104	25.4	16,196	35.7
Nonrecurring (privatization) revenues	0	0	16,000	80.0
Total revenue	174,819	24.4	179,315	20.3
Net balance	- 22,234	19.5	- 47,447	68.0

Source: Ministry of Finance

**State Budget's Interim Balance—March 1992  
Expenditures**

	1991 First Quarter		1992 First Quarter	
	Million Forints	Annualized (%)	Million Forints	Percent of Estimate
Aid to economic organizations	16,593	29.4	14,753	28.4
Producer-price subsidies and grants	7,055	29.7	6,890	37.9
Import-price subsidies	- 129	- 990.5	43	—
Farm, food-industry export subsidies	6,530	24.3	6,491	25.0
Agricultural marketing subsidies	0	0.0	561	14.0
International settlements (with former CEMA countries)	1,606	- 131.3	0	0
Other	1,530	25.6	769	20.2
Consumer-price subsidies	13,554	32.0	4,718	27.0
Capital-formation expenses	8,500	15.4	10,119	16.4
Centrally planned investments	5,099	19.3	4,308	13.5
Yamburg gas pipeline's construction fund	560	8.0	2,400	35.8
Aid to cooperative housing construction	2,824	13.1	3,403	14.8
Stockpiling, replenishment of enterprise funds	16	26.4	8	0
Aid to budgetary central agencies	67,892	23.8	85,620	25.2
Social security grants	5,100	34.7	2,425	12.4
Grants to local governments	44,446	23.3	48,737	22.3
Grants to off-budget state funds	14,715	21.7	16,064	49.7

State Budget's Interim Balance—March 1992  
Expenditures (Continued)

	1991 First Quarter		1992 First Quarter	
	Million Forints	Annualized (%)	Million Forints	Percent of Estimate
Expenditures stemming from international financial relations	2,643	27.0	1,836	10.8
Debt servicing, interest reimbursement	22,869	21.4	41,430	24.1
Of which: repayment of credits and state loans	3,250	23.1	4,024	19.2
Other	742	49.6	467	14.6
Nonrecurring expenditures	0	0	100	0
Assumption of guarantees	0	0	493	8.2
Total expenditure	197,053	23.7	226,762	23.8

**Bankers' Views Described**

92CH0552C Budapest HETI VILAGGAZDASAG  
in Hungarian 11 Apr 92 p 97

[Unattributed article: "A Peace Loan"]

[Text] It was to some extent against Finance Minister Mihaly Kupa's will that Katalin Botos, the head of the State Inspectorate of Banking, fought for and pushed through last November that the Law on Financial Institutions should become effective already in December. So that domestic banks, which as a rule are not very stable by international standards, could build up their special-purpose reserves from pretax profit, and thus prepare also for a wave of bankruptcies this year. But against Katalin Botos's wishes now when the domestic banks have done just that, also the "independent" president of the central bank, who is a member of the MDF [Hungarian Democratic Forum], is helping to keep the special-purpose reserves at a minimum, "for fiscal reasons." At least if what staff members of the Association of Banks think they know is true, the Hungarian National Bank is relaxing the commercial banks' daily liquidity ratios, so that the small "favors" the financial institutions are doing the government will not create liquidity problems for certain large banks. Namely, the state budget's 47.4-billion-forint deficit during the first quarter should have been higher by between 12 and 14 billion forints. That is the amount the large banks, in which the state is the majority shareholder, have recently been "requested to return" until the general meetings of their shareholders. Zoltan Nagy, the recently appointed new state secretary at the Ministry of Finance, made this request on behalf of the treasury.

Incidentally, the head of a large bank who wishes to remain anonymous confides that, under a "gentlemen's agreement" he concluded with the Ministry of Finance, he has given the treasury a one-month loan at an interest rate of about 30 percent, instead of returning the tax refund he had already claimed and received. Some central-bank officials are saying that this is not the first time certain commercial banks have been providing loans for the state budget, a practice that is customary in

the more developed parts of the world as well. Besides buying 8.0 billion forints' worth of additional "liquid" 24-percent government securities in the first quarter, the banks have always been willing to lend to the government for higher yields, under market conditions. However, the Law on the 1992 State Budget does not allow commercial banks to finance the state budget's deficit directly. Under that law, the minister of finance has authority merely "to issue special bonds with a total face value of not more than 30 billion forints and a maturity of at least 10 years, new treasury notes with a total face value of 30 billion forints and maturities longer than one year, and to increase by at least 9.8 billion forints the stock of issued and outstanding treasury bills and other government debt instruments maturing in one year or less."

Of course, Finance Ministry State Secretary Zoltan Nagy has requested the large banks to return in advance merely what the state, as the majority shareholder, could confiscate for good anyhow, if it chose to do so, at the general meetings of shareholders that are to be held in the near future. Mihaly Kupa hinted at this when he said: "The general meeting of shareholders that approves the auditors' report will set the amount of the reserves." According to Mihaly Kupa's interpretation, the "request" has been addressed to the Association of Banks which, as an interest group, can only make recommendations. But it amounts to the same thing: The fiscal administration is treating the Hungarian banking system as its vassal. It will be even more peculiar if it turns out that the request has been made on the prime minister's direct authorization.

But on this basis the possibility cannot be excluded that tomorrow the other corporations in which the state is the majority shareholder may be next. As some financial experts are underlining, this action by the government not only undermines for a time confidence in the banks that are about to be privatized and deprives the state of the foreign financial institutions' sorely needed capital, but is also scaring away from privatization international capital that has already been acting more cautiously in recent months.

## Insolvent Enterprises Face Mandatory Bankruptcy

### Situation Analyzed

92CH0551A Budapest HETI VILAGGAZDASAG  
in Hungarian 11 Apr 92 pp 7-9

[Article by Patricia Molnar: "Bankruptcy Law; Capital Is Tumbling"—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] Over 500,000 persons in Hungary are working for a firm that, at any moment since 8 April, may be obliged to petition the court to have itself declared a voluntary bankrupt, or its creditors may petition to have the firm declared an involuntary bankrupt. From the Bankruptcy Law, which will be "ticking away" from now on, many people expect the purging of the economy, an end to the daisy chain of interenterprise indebtedness. Others fear a wave of bankruptcies that will bury tens of thousands of enterprises and cooperatives, and will shake even the large banks and the state budget to their very foundations.

These days the daily press is teeming with apocalyptic visions of the consequences of Law No. IL/1991 on Bankruptcy and Liquidation Proceedings and the Distribution of Assets, which was enacted last fall and went into effect as of 1 January of this year. The reason behind raising the specter of bankruptcies this spring is the law's provision that any firm which has been unable to settle its debt during 90 days [from the law's effective date] must file within eight days a petition for voluntary bankruptcy. This provision is a bankruptcy time bomb that has begun to tick as of 8 April.

Even according to experts, the fears are not unfounded, although sufficient data are not yet available to estimate the law's foreseeable effects. But the pessimistic predictions are based on the expectation of bankruptcy or liquidation proceedings at every third enterprise under the Ministry of Industry and Trade, for instance. The situation is further aggravated by the fact that nearly two-thirds of these industrial enterprises are "permanently insolvent" (incidentally, the new Bankruptcy Law has abandoned the use of that expression), which means that for more than six months they have been unable to settle their debt exceeding 25 million forints. The Ministry of Agriculture estimates that there are about 400 farms actually bankrupt, and about 50 food-industry firms are coping with similar problems; even the possibility is not excluded that the financial problems of these firms may cause temporary food shortages.

If the mentioned business organizations truly file petitions to have themselves declared bankrupt (in other words, if during the 90 days since the law went into effect they have been unable to arrange a composition of their creditors), then the period for the payment of their debts, other than for wages, will be extended for 90 days by virtue of the law. Consequently, the term "bankruptcy" is not entirely apt; for many a firm the extension itself is a life preserver, enabling it to stay afloat. Of course, only

if the firm is able to prepare a suitable plan for the payment of its debts, and if in the bankruptcy proceeding it is able to come to an arrangement with its creditors on debt rescheduling and other concessions; perhaps at the price of surrendering to the creditors some of its assets. Otherwise the concessions granted the firm petitioning for voluntary bankruptcy could bring also its creditors to the brink of ruin, perhaps making them file for bankruptcy as well. Or what would be even worse for the creditors, they could be faced with the possibility that their own customers may petition to have them declared bankrupt.

The "end of the world" mood is undoubtedly being caused by thinking through this snowballing effect. After all, the avalanche would not spare suppliers, public utilities or commercial banks. And, through the tax and customs authorities, not even the state budget. But the social security fund, or the solidarity fund from which unemployment benefits are disbursed, would not be left out from among the forced creditors either. After all, insolvent or loss-making operators have not been particularly keen to pay their taxes and duties. The Office of Tax and Fiscal Auditing (APEH) reports that taxpayers owe the government between 55 and 60 billion forints in back taxes; unpaid social security contributions total 58 billion forints; and uncollected customs duties and excise taxes amount to 130 billion forints.

According to financial experts in government and banking, however, the new Bankruptcy Law's bark is worse than its bite. These experts too expect a wave of bankruptcies. But, in their opinion, that wave will not flood the entire economy and will subside sooner or later. "The past three months provided an opportunity for a preliminary screening. They enabled debtors and creditors to put each other in the picture; to meet for preliminary talks on attempting a composition or extension, or to agree on a moratorium or payment in installments," said Dezso Sugar, deputy state secretary at the Ministry of Finance. "Debtors have been forced to change their earlier attitudes, when they thumbed their noses at dunning letters and did not even respond to them. Since the new Bankruptcy Law is in force, they can no longer allow themselves to do that, or at least only at the risk of having their creditors file to have them declared bankrupt," added the deputy state secretary.

It is an entirely different question that, as a rule, liquidation is not in the creditors' interest because, among other reasons, liquidation proceedings are lengthy, and thus settlement of the creditors' claim is slow. (According to statutory regulations, liquidation proceedings ought to be completed within two years. In view of the already experienced overburdening of the courts, however, that time limit is unlikely to be met.) Creditors are not interested in liquidation also because, in the absence of a composition of creditors, the claims are settled in the order specified by law, rather than as arranged in the composition. Which would mean that claims for taxes, duties and other public payments would have priority over the claims of "ordinary" creditors. It is no accident

that, since the publication of the new Bankruptcy Law's provisions (in October 1991), the organizations whose claims are preferential according to the law—the APEH and the social security directorates, for instance—have been showing a greater willingness to attempt to have their claims settled in liquidation proceedings. Last year, for example, the APEH petitioned liquidation proceedings in 330 cases to collect a total of 20 billion forints, as compared with the 778 cases it instituted by the end of March this year (although their total is “merely” 12 billion forints).

The social security directorates have turned out to be more cautious. (It will be remembered that they also tried publishing lists of their debtors, and auctioning off their claims.) The number of debtors in liquidation at the end of 1991 was 1,324, including 397 debtors against whom the social security directorates had petitioned liquidation proceedings for a total claim of 4.7 billion forints. Although it was owed a total of 110 billion forints, not once did the customs and excise service avail itself of the possibility to petition liquidation proceedings; its draconic severity became known only at the end of last week.

The commercial banks, too, have been reluctant to initiate liquidation (last year they did so merely in nine cases in all). The reason behind their reluctance, as they explained, was that up to now they have been able to offset their loans outstanding with their relatively strong equity positions. And it is not in the banks' interest either to force their large borrowers into liquidation; after all, the banks too could go down the drain, together with their clients. According to our information, incidentally, most of the insolvent business organizations are customers of the Hungarian Credit Bank; the Commercial Bank and Budapest Bank also have large proportions of insolvent firms among their customers.

Neither the above data nor the outlined behavior of entrepreneurs and government agencies is able to provide a clear answer to the question of what will be the Bankruptcy Law's probable consequences after the 8 April “witching day.” After all, it is hardly possible to predict compliance with the rules on petitioning for voluntary bankruptcy; and some experts are concerned that there will be cunning debtors who will abuse the moratorium on debt repayment that voluntary bankruptcy offers. In other words, they could pay their debts if they wanted to, but will choose instead to “hide” their money in some bank (although they are obliged in principle to report all their bank accounts to the APEH), reasoning that the 90-day moratorium is the cheapest (interest-free) source of borrowing at present. However, the Ministry of Finance notes that this could prove a dangerous game. Not just because, according to the law, only one petition for voluntary bankruptcy can be filed in three years; but also because the creditors of the enterprise petitioning for voluntary bankruptcy are able to examine its books, appoint a trustee, and avoid any transaction concluded with the intent to conceal assets before filing the petition for voluntary bankruptcy.

Moreover, if the debtor fails to arrange a composition of his creditors in the course of the bankruptcy proceeding, he could automatically be placed in liquidation. In plain language, “he would be playing with fire,” in Dezso Sugar's opinion. The deputy state secretary believes that there nevertheless will be a narrow circle of the economy's players willing to take even that risk.

All things considered, it is difficult to predict for the time being whether the law will really serve as a means for separating the sheep from the goats. In other words, will creditors extend a helping hand only to those players who are able to function, or will also the players deserving a better lot “bleed to death”? Other unanswered questions include: How will the collection of tax revenue develop? Will there be sufficient export for debt servicing? How much will the country need to import to replace the outputs of the production firms that will have gone under, and how will it be able to pay for that import?

But this much already seems certain: Sooner or later the courts will break down. Disgraceful or not, the fact is that the Ministry of Justice does not compile a summary report of the national situation, but the figures for the Budapest Court—it is estimated to be handling 60 percent of the cases—are noteworthy. By March 25th of this year, it has already received 620 liquidation petitions and 157 bankruptcy petitions. There are at present eight judges assigned to these cases, and each one is expected to bring to their conclusion at most five cases a month, said Sandor Piskolti, the court's deputy chief judge. The courts' deplorable shortage of personnel, and of physical plant and equipment, could have unforeseeable consequences for debtors and creditors alike.

### Reorganizing Described

92CH0551B Budapest HETI VILAGGAZDASAG  
in Hungarian 11 Apr 92 p 9

[Unattributed article: “Hard Bargaining”]

[Text] “I offered our creditors our stakes in various limited-liability companies, and also to sell our mobilizable fixed assets,” said Laszlo Meszaros, the chairman of the Lenin Agricultural Cooperative in Szanda. “But they, understandably, were not enthusiastic about investments yielding a dividend of 15 percent, nor about Raba-Steiger tractors that by now are not exactly fashionable.” In the end, the cooperative and its creditors agreed on what is perhaps Hungary's first composition of creditors under Law No. IL/1991: the buyers of the crops grown by the cooperative this year will transfer the purchase price directly to the creditors' accounts. “Only the Social Security Directorate insisted on cash before the harvest, by the end of July, for the bulk of what we owe it. Most of the other creditors will be paid by 15 September, but some are willing to wait even until the end of December. Several creditors wrote off as much as 50 percent of the interest owed.”



As a rule, however, negotiations on a composition of creditors required by law are more cumbersome than in the case of the Nograd County cooperative with barely 14 million forints of debt. "Six perfectly strange firms also requested permission for their representatives to attend the meeting with our creditors, because the firms in question were expecting to conduct similar negotiations of their own in the near future and wanted to learn how it was done," Jozsef Bodi, the director general of Mechlabor [Mechanical Laboratory Telecommunications Experimental Enterprise], recalls a typical episode from the modern history of bankruptcy in Hungary. One of the reasons why the first Hungarian industrial enterprise to petition for voluntary bankruptcy was unable to arrange a composition of its several hundred creditors was that some of them had sent representatives to the meeting of creditors just to "reconnoiter the scene," without authority to make decisions. Earlier, military equipment for the Soviet Union used to account for 80 percent of this firm's output, and also the remaining 20 percent was exported to that country. In just six months the firm ran up a debt of 600 million forints, to which also 240 million forints of interest has been added since. Instead of money, the firm has now offered its major creditors equity in the corporations into which Mechlab will soon be transformed anyhow, in accordance with its privatization plan. That way, the offer promises, major creditors would recover 80 percent of their claims within a year. Indeed, even more, but would they please use the difference to satisfy the claims of minor creditors.

The creditors did not snap up the offer immediately. That applies especially to the representatives of the APEH and the Social-Security Directorate who wanted to hear only about cash. But neither did they ask for immediate liquidation, although they were entitled to do so. Instead, the creditors elected from among themselves a 12-member committee to study the scheme proposed by Mechlabor, and to report back to them within the 30 days allowed by the law. Until then the agony that began in January will continue, says Bodi. The factory is practically idle because it has no orders on its books. But it would be idle even with orders, because it has no money with which to buy materials. Even the layoffs are "idle," as there is no money for the severance pay to which redundant workers are entitled by law.

"Such a procedure is bankruptcy even if it succeeds," says Ferenc Lorincz, the commercial director of the Bekescsaba Agricultural Cooperative, which also had petitioned for voluntary bankruptcy already in January. The corporation owned by local cooperatives and an investment bank has reduced its debt to 40 million forints from the 120 million it owed at the end of last year, and it has every hope of arranging within days a composition of its creditors. "But having had no time for months to deal with anything besides the negotiations with our creditors, by then we will have lost customers and suppliers to such an extent that even if it may not be necessary to liquidate the firm, we will still have to start everything from scratch, on a much smaller scale and with an entirely different structure."

### Entrepreneur Chief Palotas on Deficit, Interest

92CH0567A Budapest 168 ORA in Hungarian  
21 Apr. 92 pp 4-5

[Interview with Janos Palotas, president of the National Organization of Entrepreneurs and an independent parliamentary representative, by Erno Kardos; place and date not given: "Janos Palotas on the Budget Deficit—The Antall Administration Robs Entrepreneurs Blind"—first paragraph is 168 ORA introduction]

[Text] The Hungarian economy was shaken in the past days by the news that the budget deficit significantly exceeded the planned level during the first three months of the year. The political parties are assessing the situation in different ways. The opposition urges the examination of the 1992 budget, but the government coalition claims that, despite the difficulties, our financial policies are viable. In the REGGELI KRONIKA [Morning Chronicle], General Accounting Office Chairman Istvan Hagelmayer made some statements to Erno Kardos about all this. And during the program "168 Ora" [168 Hours], the reporter asked Janos Palotas, independent parliamentary representative and president of the National Organization of Entrepreneurs, how all this affects both the country and the entrepreneurs, and what reduced bank interests mean to them.

[Kardos] According to the State Accounting Office president [Hagelmayer], the budget must be modified because expenditures are excessive while revenues are hardly trickling in. He then added that we must think through where the money for the budget should come from. At that moment, an entrepreneur winced and said that the budget does not necessarily have to be modified, because if it is, then both the entrepreneurs and the economy would be hard hit, for taxes would be raised even higher. Do you think that this is the way the situation may develop?

[Palotas] It does not necessarily have to develop this way. But in every normally regulated economy, in which the economic policy makers know their responsibilities regardless of whether the new kinds of economic laws have or have not been legislated (in Hungary, for instance, the state administration law has not been legislated), the budget should be modified in a situation such as the present one. Thus, under normal circumstances, the administration would not have the authority to have a budget—in which it does not even have a real interest—approved after lengthy debates and a forced late-night voting. For the kind of legal environment—not to mention the government's own internal encouragement—that would make us comply with the approved budget law, is lacking today.

[Kardos] How can the budget have adequate resources if not in the form of taxes?

[Palotas] Appropriate change in economic philosophy could bring positive results even during the year. We are still in the first half of the year and, thus, the positive

effects of such a change could become apparent within a few months. The rate of increase in unemployment could slow down in a slowly growing economy. Incidentally, the main reason why we are concerned about an additional budget deficit is that we are afraid that its allegedly most significant factor, the Solidarity Fund, would be depleted. And that could hardly be replenished by additional solidarity contributions. However, the process I described could be implemented still this year.

[Kardos] How would it be possible to enliven the economy in a relatively short time, since this proved to be impossible even during the course of long months?

[Palotas] It was impossible even for years.... It is very important for economic policy not only to strive to identify the sources of loss and then to eliminate these. We must also know what will produce and when, what will bring the surplus. Just by simply determining these, we can learn, for instance, where it is worthwhile launching a venture. But what we see during the everyday events is that the administration automatically tries to cover up the fact that its economic policy has failed and that its budget is professionally unsound. And it does it by aiming its instruments of power—and not the instruments of economic management—precisely at the thin stratum which has the potential of economic growth. But by robbing this stratum blind and by suffocating it, the opportunity of putting this economy on the tracks of growth is lost. A spectacular manifestation of this is the fact that the surplus resources of the banking system have been taken away although those who would have needed these resources do in fact badly need them now, after the bankruptcy law went into effect. This economic policy does not, because it is unable to, collect the accumulated and huge debts in taxes, social security and tariffs of 30 or 50 large state enterprises. At the same time, it announces the intention of carrying out—or even launches—financial actions that paralyze the circle of entrepreneurs which, incidentally, has previously been paying taxes, social security contributions, and tariffs.

#### Compulsion of Power?

[Kardos] Could the recently announced decrease in interest rates not help the economy? Are they not beneficial for the entrepreneurs?

[Palotas] Were I not an entrepreneur who also thinks of tomorrow, I could say that this could have an extremely beneficial effect on many ventures—including mine. But I know that this is a measure originating from mere politics and power, lacking the necessary economic background. The point is simply that the political power establishment exercises owner's rights over the banking system and, whenever its interests dictate, forces certain decisions on society in order to demonstrate some kind of a positive process. However, the present measure is an obvious deception, the consequence of which will be great damages inflicted on the economy during the coming one or two years. But, even in that case, I myself would nonetheless like to remain an entrepreneur. However, my chances as an

entrepreneur are greatly diminished in a bankrupt economy. This is why I need an economy which grows and the running of which is helped by solvent demand.

[Kardos] Thus, in your opinion, the decrease in interest rates did not happen naturally at present?

[Palotas] As an economist, I am convinced that it did not, that it is the result of a political-authoritarian measure. Thus, no matter whether the lower interest rates involve the central bank or other leading areas of the banking system, the extent of their decrease is unequivocally the result of a political measure by the owner, by state authority.

[Kardos] According to many economists and the Ministry of Finance, the huge budget deficit of 150 billion [forints] could easily be collected by stricter regulations. However, several people strongly disagreed with this at the conference on the possibilities of development. Why do you think the situation is so grim?

[Palotas] I do not see the situation as being grim or unsolvable but, certainly, the actual steps of the administration's economic policy are not in harmony with its statements. Thus, steps are not taken in the direction for good solutions. Why, our economy has much more chances than stresses and problems, and ways of finding solutions do exist. A few dozen state enterprises are responsible for 50 percent of the aforementioned 150 billion. However, before bringing the bankruptcy law into effect, the state failed to restructure its own 30 or 50 enterprises which are the cause for about 50 percent of the bankrupt estates. Debts only accumulate this way, for those who are not being paid cannot themselves pay another party either. If we would take this component out of the economy, the bankruptcy law would create its own normal and positive effects. But since the state will not even consider taking out this component, which generates 50 percent of these estates, it is possible in the bankruptcy process to negotiate with the state on the basis of its directives and ownership. And in this case these enterprises will survive. This kind of tactic relieves the state of stress and responsibility.

#### Parliamentary Skirmish?

[Kardos] Is there any chance that the budget will be modified and that it will not fall prey to endless partisan parliamentary debates afterward?

[Palotas] If the budget would be brought before the House again, it would no doubt become subject to partisan debates. But, then, what should we do? This is a vexation inherent in democracy. However, if the parliamentary skirmish would last a long time, it would take an enormous amount of time away from policies that are otherwise more efficient. And, of course, it would divert attention from the solution of our social and economic problems. But it would not be right to argue that I want to work now instead of subjecting myself to parliamentary disputes; therefore, I will not submit the modification proposal. Such behavior would correspond to that of dictatorships.

**KPN: Future Plans for Political Offensive****Moczulski: Opposition Role**

92EP0340A Warsaw PRZEGLAD TYGODNIOWY  
in Polish No 15, 12 Apr 92 p 8

[Article by Grazyna Musialek: "Is the Confederation for an Independent Poland Fighting?"]

[Text] The confederation is undoubtedly, as RZECZPOSPOLITA said, the black horse of the past political season. What distinguishes it from all the other significant groups?

The KPN [Confederation for an Independent Poland] believes that it is the oldest anticommunist party in Poland. It arose in the autumn of 1979, and its leaders, who include Leszek Moczulski, have their origins in the Movement for the Defense of Human and Civil Rights. The confederation feels that it is the continuer of the movement of Pilsudski's followers.

From the beginning it has been in conflict with KOR [Workers Defense Committee], and later it underscored its distance from Solidarity. It also distanced itself from the "roundtable" talks, which it considered treason. Moczulski believes that communism could have fallen as early as autumn of 1988: "But a significant part of the political forces feared victory. We were on our way to a triumphant battle, but we did not have sufficient strength for a decisive victory."

A year later, the KPN went on the attack. In the autumn of 1989, its members took over and occupied more than 140 committees of the PZPR [Polish United Workers Party]. A significant portion of public opinion considered these acts "political hooliganism," but even today the confederates maintain that they were important in their own way. "Under the influence of these brawls, the PZPR's organization felt defenseless and disintegrated," says Moczulski.

Neither the Solidarity opposition nor, for that matter, public opinion took the confederates too seriously. In local elections in the spring of 1990, Leszek Moczulski was not even elected to the city council. In the presidential elections, he received an inconspicuous 2.5 percent of the votes and came in last. It seemed that the KPN would leave the political scene for good. Today, the chairman makes light of those defeats: "The confederation was never disheartened by the fact that it did not meet with immediate success. We always had a grand vision and we wanted to win within the framework of that vision."

A climate favorable to the KPN unexpectedly appeared during last year's elections to the Sejm. The party, which forecasts had placed in fifth to seventh place, won 7.5 percent of the vote. This gave it 51 seats in the Sejm. It thus became the third most important group in the parliament. All the public opinion research also confirms that support for the confederates is growing steadily.

Moczulski's party is positioning itself in second place in the polls (after the Democratic Union) and has been getting about 10 percent of the votes lately.

"The KPN's stock is going up," says Krzysztof Krol. "We will soon have the most political support in Poland."

In Krol's opinion, the confederation already has the strongest party structure in Poland. It is "the most flexible, compact, and unified" organization.

The KPN currently has more than 20,000 members, mostly in Silesia, Zagłębie, and Krakow. As the only active group, it is attaching great importance to the development of a cadre foundation—the creation of additional offices and bureaus throughout the land, even where support is not yet great.

The KPN hopes to draw its strength from this "hierarchical and formalized" structure and from the enhancement of contacts, particularly among workers in the large factories.

According to the KPN, the most important political forces in Poland are continually occupied with the renovation and reform of the PRL [Polish People's Republic], "to see that it gets a human face and democratic manners." In this situation, the Fourth Congress set new tasks before the confederates.

"We reject both the totalitarian state and the liberal state," said Krzysztof Krol in his platform address. "Our goal is to build a functional civil state."

What is a civil state according to the KPN? They were satisfied with the vague notion that it has but one motive: "service to the nation understood as the totality of the citizens."

However, it is clear that the confederation must take on a huge part of the responsibility for the Republic. It must change from an opposition party into a cogoverning party and it must pull Poland out of crisis in a decisive manner.

The delegates resolved: "We will extricate ourselves from the perpetual impotence of the state, general ineptitude, political confusion, economic crisis, the plundering of the national wealth, and the poverty of most of society."

The long-range goal of the KPN is a reorganization of Europe that will ensure Poland's secure existence. In connection with this, our country "should become one of the main architects in the construction of an isthmus community embracing the former postcommunist countries between the Baltic Sea and the Black and Adriatic Seas."

The delegates to the congress discussed which road to take: Is the resolution of Polish issues possible on the democratic, parliamentary road, or will revolutionary solutions be necessary?

"To what extent can we trust this Sejm?" they asked. "If this Sejm is not going to be in a position to create a majority that will ensure continuity of administration, our goal will be to pursue quick elections," they acknowledged.

After the conclusion of the congress, Moczulski did not hide the fact that the delegates' political temperament inclined them toward the decision that the KPN would remain in the opposition. Ultimately, however, the "opposition or coalition" dilemma remained to be decided by the Political Council.

In the current talks on reconstruction of the government, the KPN does not have very good prospects. The "small coalition," discouraged by the confederates' populist economic program among other things, is openly distancing itself from them. The Center Accord also speaks very reluctantly about the possible inclusion of the KPN in the government. The ZChN [Christian National Union] seems to be moderately favorable toward Moczulski, although some of the prominent activists of this party cannot digest Krzysztof Krol's postelection statement. Krol took the liberty of remarking that "it is necessary to distinguish the ballot box from the confessional" and he reproached the ZChN for "entering parliament in priestly garb."

Currently, however, Henryk Goryszewski of the ZChN is declaring publicly that the confederates should be brought into the coalition and thus "cut off from the street."

Moczulski is announcing the composition of "the shadow cabinet." He also maintains that the KPN has dedicated the last three months to work within the party and now "is ready to take the political offensive and take advantage of all essential forms of activity." Foreseeing strike situations among other things, the KPN has delegated about 3,000 people to make contacts with the large factories.

"Those who believed that the confederates were pups and cubs would feel the flesh of their backs crawling, were they here," said Krzysztof Krol at the congress. And he promised, "Sooner or later they will feel it."

### Pilsudski's Legacy

92EP0340B Warsaw PRZEGLAD TYGODNIOWY  
in Polish No 15, 12 Apr 92 p 8

[Article by Wladyslaw T. Kulesza: "We, the Confederates..."]

[Text] An analysis of the platform documents of the Confederation for an Independent Poland does not always permit a precise explanation of the whole of the party's ideopolitical and socioeconomic program. The goal is a Poland that is free, just, and democratic, but of course the leaders of the KPN [Confederation for an Independent Poland] are not alone in this aspiration. Proclaiming oneself in favor of a social market economy

in which the preponderance of ownership is in private hands is an example of another declaration on which the confederates do not have a monopoly. However, there is something in the KPN program that gives it a tone not encountered elsewhere. This element is an attachment to the independence tradition of the combatants and the followers of Pilsudski.

The confederates want to appear as the sole legitimate heirs to the works of the marshal and the political thought of his camp. Assuming that the principles of Pilsudskian thought have not lost their currency in our times, a fundamental question is worth posing: To what extent are the platform proposals of the KPN in accord with the political thought of the marshal's camp? At first glance, at least keeping in mind the principled bolshevism of the KPN, it may seem impertinent to pose such a question, but a more penetrating analysis of the statements of the party's leaders leads one to believe that asking such questions is nevertheless worthwhile.

The call to build a Poland that is also democratic is fitting, but what it fits to is the political thought of the left wing of the Sanacja camp [Pilsudski's followers after 1926]. The left wing was represented in the 1920's by Wojciech Stpiczynski, in the 1930's by the Democratic Club, and later by the Democratic Party. This was the slogan of a part of the camp but never of its entirety. The authoritarian ideas in the April Constitution have never closely adhered to the standards of multiparty democracy. Currently, the Confederation for an Independent Poland is in full swing, acting as a typically parliamentary party both in chambers and at times out of chambers. This, too, poorly fits the views of Pilsudski's followers on the organization of political life.

The KPN's proposals on economic policy demand a separate protest. In the final analysis, the KPN is planning to introduce unsecured money into the market. For the Pilsudskians, a strong currency and a deficit free budget were the main axioms of economic policy until the war broke out. Finally, let's address the most fundamental issue: the relation of the confederates to NATO. This is a clear departure from the fundamental principle of the ideology and program of the Pilsudskians. Opting for NATO violates the axiom of independent Poland's equal distance from the East and the West and disregards the marshal and Jozef Beck's [Polish foreign minister during interwar period] plain aversion to all systems of collective security.

And finally we come to the last issue. It is a small one, but it should be remembered that the devil resides in details. The appetite of the leader of the KPN for the armchair of the minister of national defense is a plain outrage for the people who really believe in the Pilsudskian tradition.

Thus, analyzing the ideological declarations of the KPN against the backdrop of the political thought of the marshal's camp, it is worthwhile to explicitly delimit the



symbols from the substance. That which cannot be pondered is all right. But as for the merits, not everything agrees.

### No Interest in Coalition

92EP0340C Warsaw PRZEGLAD TYGODNIOWY  
in Polish No 15, 12 Apr 92 p 8

[Interview with Adam Slomka, deputy chairman of the Confederation for an Independent Poland, by Grazyna Musialek; place and date not given: "To Play for High Stakes"]

[Text] [Musialek] Being in the opposition permanently gives you the luxury of criticizing everyone. Do you not think that participation in the government would teach the confederates humility?

[Slomka] Certainly opposition gives comfort...but that is not why we are in the opposition. The confederation has many times had a chance to participate in the government but gave up the possibility as the cost of preserving its ideological character. The KPN [Confederation for an Independent Poland] adheres to the motto "for convictions, not positions."

[Musialek] But a few months ago, you abandoned the coalition of five, because Leszek Moczulski was not made chief of the MON [Ministry of National Defense].

[Slomka] That is a myth. I was a participant in the meeting at which Prime Minister Olszewski proposed that the KPN participate in the government. He began with posts. Leszek Moczulski was to become the sole deputy minister and, in addition, we were to get two important departments, including the Justice Ministry, and two not so important ministries. That was more than we wanted, but we immediately asked what the program of the government would be and how all of this would work. Because what we heard did not augur well for that government, we did not take the posts.

[Musialek] But apparently you have recently begun to haggle over high government posts again.

[Slomka] We now want the post of the sole deputy prime minister for the confederation and we want the MON or the MSZ [Ministry of Foreign Affairs] for him. We want the MSW [Ministry of Internal Affairs] or the Justice Ministry for someone else. We also want two lesser ministries. We also demand the creation of a presidium of government in which the deputy prime minister will participate and have the right to influence the government's economic policy. That is our minimum and it is larger than a few months ago. Why? Because we see that our partners are considerably weaker than we had thought. The government is not getting along. If we want to increase the chances of success, then our participation in government must be significant.

[Musialek] "Olszewski would like to widen the coalition to include the KPN, but he is anxious that we not

dominate him"—that is the appraisal of your Political Department. Do you agree with it?

[Slomka] Yes, of course. Olszewski is afraid of us, because he is a weak prime minister and so far he has not had many strong personalities in his government. But the KPN is a strong and difficult partner. We know what we want and, as the only one of the significant groups that does, we are in a position to talk tough: We will compromise here and here, but here there is nothing to discuss. And if the prime minister tried to discuss this point, then we would be prepared to resign from the administration, even after its second day in office.

[Musialek] Do you not believe that politics is the art of compromise?

[Slomka] In all the other political groups, you have people of compromise. They are not capable of bringing issues to a head. If we lived in a well functioning state, in Switzerland for example, these people would be suited for government. But in difficult times, what is needed are leaders who are hard, stubborn, efficient, people who know how to play for high stakes, people who know what they want. We have such people—those who distinguish compromise from agreement, and imponderables from half measures.

[Musialek] Where does this unshaken certainty among the confederates that they are right come from?

[Slomka] The experience of 12 years of activity taught us that we were right on all of the important political issues. At least that is how it seems to us. I will speak rather bluntly. In politics, consistency and the conviction that you are doing something good are more important than the slogans one propagates.

[Musialek] Since the beginning of the century, the communists were probably also convinced that they were doing something great and good.

[Slomka] If you already have such associations, then please note that the communists and fascists were masters in the effective achievement of a goal with minimal resources. Certain principles are universal. He who has a clear goal, direction, a program, an organization, and money will achieve greater success.

[Musialek] Let's suppose that you take power. When will things get better?

[Slomka] In the course of three or four months, because people have to be shown quickly that this works.

[Musialek] The KPN's economic idea relies on raising salaries.

[Slomka] That is an oversimplification because in essence our economic program is the elaboration of a conception of British conservatives. And, moreover, there are many other ideas. Do you know what I would do to gain public support? The first day in power, I



would lock up 10 to 20 fellows who should have been put in prison long ago. People know their names.

[Musialek] Circuses instead of bread—that is an idea for the short term.

[Slomka] What you call circuses I would call the demands of justice. I am convinced that people would take this as the settlement of affairs that should have been taken care of long ago.

[Musialek] Let's imagine a different scenario. The KPN is in the opposition, and strikes break out across the country. Where is your place?

[Slomka] With the strikers, of course. But we will do everything to prevent it from taking the form of destruction, the burning of the citizens' committees of Solidarity....

[Musialek] And occupation of the committees? You are specialists in occupying committees.

[Slomka] Well, let's say, occupation, the taking of prisoners, even some sort of hunger resulting from poverty, but not death. We will soften. However, I do not hide the fact that this will be an excellent moment to wake society up to reality.

[Musialek] And to try to take power?

[Slomka] Yes, of course.

#### UOP Chief on Party Affiliation, Other Issues

92EP0352A Warsaw SPOTKANIA in Polish No 11,  
12-18 Mar 92 pp 22-23

[Interview with Minister Piotr Naimski, chief of the Office of State Protection, by Grzegorz Sieczkowski; place and date not given: "My Position Is a Gift of Fate"]

[Text] [Sieczkowski] Your nomination was the division of political spoils....

[Naimski] There is no reason for excitement. In the parliamentary system, the filling of ministerial posts results from the configuration of forces within the Sejm. It is simply this way: Governments come and go, parliaments are elected, but the state endures.

[Sieczkowski] You are a member of the Christian-National Union [ZChN], but the Office of State Protection [UOP] is in principle an apolitical structure. Do you not see any dangers here?

[Naimski] I am resigning my membership in the Christian-National Union. I think that if my employees are not permitted to belong to any group, then I too, being their boss, should not belong to any party. I will add only that the statute does not resolve this issue clearly.

[Sieczkowski] But will you retain your political convictions?

[Naimski] Yes, because the system of values according to which I would like to see the state organized is independent of party membership and political activities.

[Sieczkowski] The ZChN appeals to Christian values. Do they have a place in intelligence and counterintelligence?

[Naimski] It is difficult to work in the special services without a clearly specified system of values. This is a place where people are subject to tremendous burdens.

[Sieczkowski] You were once pursued by a similar institution. Today the roles have reversed. You are the pursuer.

[Naimski] Suddenly, in a completely natural way, it has turned out that my work colleagues are people who 15 years ago shadowed the political opposition. For me, however, something else is more important. Twenty years ago, as a young man, I decided that I would devote a significant amount of my time, knowledge, and strength to a matter that was at the time rather uncertain and distant, in other words, the building of the foundations of an independent Polish state. Now I treat my position as a kind of gift of fate. Today, I can continue—in a different way—what we began at that time.

[Sieczkowski] Is the position of head of the UOP the beginning or the end of your career?

[Naimski] I do not yet feel like a veteran. I am, to be sure, already middle-aged, but I still have a long way to go before I retire.

[Sieczkowski] From time to time, there is a commotion about some scandal, but later silence sets in. Does the press invent these scandals to save its circulation or is the UOP pretending to work?

[Naimski] The Office of State Protection is above all concerned with matters that are essential from the point of view of the security of the country. It does not concern itself with checking whether the activity of certain entities, in this case economic ones, is consistent with the law. That is the job of the police. As soon as these pathologies become a serious threat to the interests of the state, we intervene. At this moment, on the order of the attorney general, we are conducting investigations into the matter of the Foreign Debt Service Fund [FOZZ]. Also, our office has issued warnings about the activities of the Art B company, which are contrary to the law.

Are these scandals fabricated or invented by the press, or are they reality? I do not call this a "scandal," because it is a matter of the functioning of great economic mechanisms that are beyond the control of the state. In this procedure, which undoubtedly exists, huge quantities of money are beyond the control of the state. This is a phenomenon that is very unfavorable to the normal functioning of the country. In the long run, it may even shake our state sovereignty. It may turn out that the state's fundamental financial decisions are being made outside of the structures created for that purpose. The financial scale of this phenomenon is at this moment

very hard to determine. For example, the final balance that will be reached by the investigation into the FOZZ affair can still not be determined, because new elements are investigating.

[Sieczkowski] But can this be helped?

[Naimski] That is solely and exclusively a question of effective action among the combined forces of the attorney general, the special services, the police, and the courts. If we do not quickly establish coordination, then it will be very bad. And we have already begun such cooperation. I know that in the police force, the Ministry of Internal Affairs is rebuilding structures concerned with economic criminality. We will take on the cases that exceed the powers of the police.

[Sieczkowski] Public opinion is outraged by situations in which an arrested businessman's bodyguards (who, to make matters worse, are citizens of another country) walk around with unauthorized weapons.

[Naimski] In the matter of the detention of David Bogatin, our office's functionaries hesitated for a moment, but this was due to the stature of the Sejm deputy who actively appeared in defense of the suspect. I suppose that the functionaries recalled the story from the previous session of the Sejm when farmers occupying the Ministry of Agriculture building were helped out. It turned out that there were deputies among them who later accused the forces of order of violating their immunity as deputies. I think that therein lay the cause of a certain "uncertainty" in the detention of Mr. Bogatin.

[Sieczkowski] Many new employees of the UOP came from the "Freedom and Peace" movement. As a result, the institution that you direct has been accused of excessive pacifism.

[Naimski] I did not notice that. Besides, it seems to me that many more elements can be perceived in this mosaic. People of highly diverse backgrounds have come here. We still have many more positions than employees. We are looking for new and young people. The quality of our work will in large part depend not only on whom we accept but also on how we train those people. We want to have new cadres that are not burdened by history, people who soon should know martial law and the events of the 1980's primarily from history textbooks. I would like for the older functionaries, including those who once worked for the Security Service [SB], to be able to transmit their expertise to these young people.

However, we must remember that there is no country in which policemen and functionaries of the special services are assured of wages high enough to counterbalance the temptation of bribery. Not everything will be settled with money. In a normal, healthy country, the strength of the special services is based on common honesty. Money is of course necessary, and I would like functionaries of the UOP, especially of the high class of specialists, to earn as much as possible.

However, it should be remembered that the decision to become a functionary of the UOP is not only a financial choice; it is also a choice of a lifestyle and certain responsibilities. This is an additional sieve through which one must pass.

[Sieczkowski] This may sound like the announcement of a new personnel screening program.

[Naimski] Another personnel screening is out of the question. Our employees have proven themselves in the course of their daily work. Their willingness to work and their loyalty to the interests of the state are best proven in action. I do not foresee any mass dismissals or personnel shakeups. But in individual cases, there will be the normal cadre movements. Please remember that this is a very young institution with a new structure. The old SB employees' qualifications and, I repeat, their loyalty to the state will determine whether they will work here. Nothing else.

[Sieczkowski] Do you know already what can be said publicly and what is not permitted under any circumstances?

[Naimski] Not always. In that connection, I often choose a much easier way out. I do not speak at all. Before I began working here, I was writing columns on international topics. It would now be difficult for me to perpetrate something like that. I would have trouble isolating the knowledge of a high state official. For that same reason, I will not write journalistic articles for some time after I am replaced. At this point, I do not even know how long.

[Box, p 22]

Piotr Naimski is a graduate of Warsaw University in chemistry and is a doctor of natural sciences. In his youth, he was active in a scouting group, Warsaw's famous "Black Unit," in which many members of the opposition had their roots. In 1976, he was a cofounder of the Workers Defense Committee, and a year later he was one of the founders of the monthly publication GLOS. He has been the director of GLOS since 1991. During martial law, he founded the Solidarity Aid Committee in the USA, where, after 1981, he conducted research in molecular biology. After returning to Poland, he worked in the Endocrinology Clinic in Warsaw. He is a member of the ZChN and, since 1991, deputy minister of internal affairs. He has been a minister—chief of the UOP—since February. He is married and has four children. His wife, Malgorzata, is a specialist in Hebrew philology.

**Army Role in National Security System Viewed**  
92EP0387A Warsaw PRZEGLAD TYGODNIOWY  
in Polish No 17, 26 Apr 92 p 3

[Interview with Jerzy Milewski, state secretary for national security in the Chancellery of the President of

the Polish Republic, by Mirosław Cielemecki; place and date not given: "The Army and Politics"]

[Text] [Cielemecki] As you recently described the military situation of Poland in a newspaper, you summed up your interview by expressing the view that "we live in very hopeful times."

[Milewski] Is the collapse of the Soviet empire and the regained independence of Poland not hopeful? However, on that occasion I also wrote, having in mind the present and also the next few years, that we should not forget about possible dangers, not only those of a global nature, dangers to our existence as a state, but also dangers to the unhindered development of the economy and civilization.

[Cielemecki] However, as I read the article in question, I got the impression that you minimized such possible dangers. My assumptions may very well be confirmed by the proposal of the National Security Bureau concerning further reductions of the armed forces to which Minister Parys resolutely objected.

[Milewski] The dangers are mainly of a nonmilitary nature, and they cannot be effectively counteracted by using the army; this is point one. Second, the proposals of the bureau are aimed at improving the combat capability of the Polish armed forces rather than reducing it, despite the Sejm making cuts in the defense budget. Our conceptual draft of restructuring the armed forces calls primarily for abandoning an anachronistic organizational structure inherited from the Warsaw Pact and endowing the army with the operational capability for action in the territory of the country in order to defend our sovereignty against possible, currently unidentified aggressors attempting to invade this territory. To date, the army has been mostly prepared for engaging in offensive combat in the area of West Europe, together with other armies of the Soviet bloc. At present, the Polish armed forces should be prepared to rapidly eliminate local armed conflicts which might arise for unexpected reasons.

The draft of the bureau also takes unpleasant reality into account, or the very limited amount of funds appropriated for defense by the Sejm. The military budget has been dropping year after year. This year, the decision has already been made that, in real terms, the budget will be another 10 percent smaller. Since the Sejm approves the budget, the people responsible for the organization of the armed forces must comply with this. After all, no state official has the right to ignore the resolutions of the Sejm. Therefore, the structure, strength, and weaponry of the army should be adjusted to our funding potential. The combat potential of the armed forces will diminish otherwise because of its strength withering in a chaotic manner and the degradation of its armaments. As it is, the theoretical current strength, or about 300,000 soldiers and officers, is a fiction. Only 220,000 billets and positions are filled.

The draft of the bureau calls for reducing the strength of solely the the supply and auxiliary units which, at one time, were supposed to support the advance of the front toward the west but are now entirely undesirable. Because of this, our draft makes it possible to not only maintain the strength of combat units at the current level but to even increase it somewhat. Interpreting our proposals as a weakening of the army amounts to misleading public opinion.

[Cielemecki] You said that the Polish armed forces should be in a position to resolve local conflicts in the territory of the country. Who may cause such a conflict?

[Milewski] Many theoretical sources of conflict may be enumerated; at present, they are hard to define precisely. At this point, we do not have adversaries who are planning for a conflict with us; therefore, for our part, we cannot plan our defense in a selective manner, against particular adversaries. The armed forces must be adapted to operations against adversaries which are currently unknown, and this is what our draft assumes.

[Cielemecki] However, Minister Parys has referred several times to the existence of a threat from a specific direction, the east.

[Milewski] To my mind, this wording is correct, provided that we add that a nonmilitary threat is at issue, namely, a cutoff of the supply of strategic raw materials (oil and gas), or a wave of refugees which may only come from the east. As far as military issues are concerned, there most certainly are no grounds to point out any direction of threat. I repeat that at present, Poland has no avowed adversaries, and we should not create them through ill-considered statements.

[Cielemecki] May the possible wave of refugees from the east also be considered one of the situations which you define as "local conflicts"?

[Milewski] No. After all, the refugees will not be armed. Fleeing civilians will stream into our country if a war or other disturbance breaks out somewhere close to our borders. As it is, we will not send troops against them. Even if we do, it will be done to take care of them, provide food, and set up tent cities.

[Cielemecki] However, a large wave of refugees is as dangerous as a war.

[Milewski] Certainly. Those arriving should be accommodated. In this case, dangers posed by crime, epidemics, and an overload in administration and transportation will mount....

[Cielemecki] How can such dangers be averted?

[Milewski] Rich countries are in a position to do the most. They can aid new countries sooner, so that people will not have to flee them. President Walesa referred to this as the EEC-B system.

[Cielemecki] Minister Macierewicz stated recently that guarding the eastern border should be reinforced. He intends to earmark for this purpose the entire supplemental appropriation for the budget of the Ministry of Internal Affairs.

[Milewski] The minister certainly had in mind security against this possible wave of emigration. The Border Guard should have an opportunity to at least control the influx of people to our territory. If the Border Guard is too weak, these people would enter spontaneously. This would be dangerous. Poland should ensure not only the defense of its territory, which is the task of line troops, but also the protection of its borders. Such is the intent of the plans of the minister of internal affairs, which involve reinforcing the Border Guard in the east.

[Cielemecki] In the General Staff of the Polish armed forces, they have been saying that a military formation for defense and guarding the border, patterned after the prewar KOP [Border Guard Corps], should be created along the eastern border.

[Milewski] It appears to me that there is no need to organize a system for securing borders anew. We are not apprehensive of a military invasion from the east. We need to immediately increase the strength and dispatch of the Border Guard for it to be able to cope with greater cross-border traffic. It is also necessary to develop an equal capability of the army to defend all of our borders and border areas.

[Cielemecki] I would ask that you clarify the concept of the president concerning the creation of NATO-B.

[Milewski] The president put forth this initiative because the accession of Poland, Czechoslovakia, Hungary, Ukraine, and other post-Soviet countries to NATO is impossible for now. However, it is felt that if these countries are left to their own devices, security in our part of Europe will be called into question. Therefore, it would be advisable for these countries to develop certain military agreements.

[Cielemecki] Is the Warsaw Pact to be restored?

[Milewski] Nothing of the kind. This is impossible. We did not bury this pact to have it restored. However, a union under the auspices of NATO is possible, under the aegis of Brussels, without membership in the pact itself, but taking advantage of all opportunities to cooperate with it, for example, with regard to open airspace. The presence of numerous NATO representatives and experts in our region of Europe would be very helpful in itself.

[Cielemecki] However, let us assume that a conflict on a greater scale comes about.

[Milewski] At present, a global war in Europe is highly unlikely—virtually impossible. However, if it were to happen, Poland would not be in a position to defend against an invasion on its own. This is why we seek long-term security through political means. This has to

do with plugging into the international security system, hence our actions aimed at a rapprochement with NATO. A regular NATO membership for Poland is our strategic objective, which should be achieved gradually.

[Cielemecki] In addition to operational troops, most states also have territorial defense forces. As a matter of fact, such troops were disbanded in Poland.

[Milewski] Our draft for restructuring the armed forces calls for increasing the number of mobile operational units, which will be smaller than the ones so far. There will also be more airborne rapid deployment units. This will make it possible to expand the detachments of local troops to a lesser degree. However, territorial defense units consisting of several hundred soldiers will be formed in each voivodship. These units will be tailored for operation only in their territories.

[Cielemecki] What about civil defense?

[Milewski] For now, it is a military structure. In the future, in keeping with a government draft which takes into account international regulations, civil defense will be placed outside the army, the same as the Red Cross. Its function is to help the people and shield them against the consequences of war and disasters which also occur in peacetime.

[Cielemecki] Construction of shelters also amounts to mitigating the consequences of war. For a long time now, basement ceilings in new houses and industrial enterprises have not been reinforced in Poland. Already existing shelters have not been maintained and no reserve sources of water have been established.

[Milewski] I am aware of this. At some point, we will have to make up for the neglect displayed at present and, unfortunately, at a greater cost than in the case of current investment. However, funds are lacking at present.

[Cielemecki] They are mindful of this in other states, especially neutral ones, for example, Sweden and Switzerland.

[Milewski] They had funds for such investments, but we currently do not. However, it also took decades or, as in the case of Switzerland, centuries for the social awareness of the need to bear such costs to evolve. Our democracy is only two years old. Of course, it is impossible to delay certain matters for long. I may assure you that we in the National Security Bureau understand the situation, and, as far as possible, try to make up for such neglect.

[Cielemecki] What will the future relationship be between the president, the National Security Bureau, the government, the Ministry of Defense, and the armed forces?

[Milewski] Proposals are being developed and discussed. It is up to the Sejm to determine the final format. However, it is obvious that the organs of state power

created anew in 1989—the president elected by a popular vote and the Senate—must be endowed with clear-cut jurisdictions rather than just illusory responsibilities. In particular, the command element of the armed forces should report to the president in his capacity as chief of the armed forces. Therefore, the chief of the General Staff should be a direct subordinate of the president in the area of commanding the troops. The president should also be in charge of the issues of cadres, training, and organization of the army. In turn, the broadly interpreted administration of the armed forces should be the main task of the minister of national defense.

[Cielemecki] Is it possible to precisely divide up the guidelines for the subordination of the chief of staff?

[Milewski] Since it is possible in other countries, for example, the United States and France, it is absolutely certain that this may be done in Poland. Simply put, the president should have an actual opportunity to influence the armed forces. At present, he does not have it. At best, the president may make requests to the minister of defense on certain issues. For example, the right of the president to make appointments to the positions of chief of the General Staff, commanders of military districts, and armed services remains a fiction if the minister of defense does not wish to submit proper recommendations. Yet, it is clear that in the future as well, the president should not impose staff assignments on the civilian Ministry of Defense itself. He should only engage in extensive consultations in this matter.

[Cielemecki] The system which you are discussing will bring about generals having to somehow split their loyalty between the minister and the president. Do you believe that this may give rise to conflicts of the kind we had recently?

[Milewski] A similar dependence exists in many other states. In the United States, the President is the commander of the armed forces, and the supreme commanders report to him. In addition, there is the secretary of defense. Over there, cooperation between civilians and military men works properly. I believe that it is possible to resolve this in Poland too, given good will.

[Cielemecki] What influence on the armed forces will the parliament have?

[Milewski] The influence of the Sejm is primarily exercised in the process of determining the defense budget and specific items in it. This is great power. Being in control of the budget, the parliament may actually regulate the size of the army and its internal structures. The defense commissions of the Sejm and the Senate may also perform review and control functions with regard to the army. The parliament also adopts all other laws that regulate the operation of the army and the lives of soldiers.

[Cielemecki] Will this system ensure the so-called apolitical character of the army? As we could see recently, the current system does not remove the army from domestic policy disputes.

[Milewski] Servicemen cannot be deprived of civil rights, and their participation in political life cannot be banned. Therefore, officers cannot be banned from membership in political parties. However, internal regulations may be introduced, and combining high offices in both the armed forces and political parties may be banned.

[Cielemecki] Will this shelter the army from the influence of political parties which are competing for its good graces?

[Milewski] Certainly not. In my opinion, the army should be brought closer to the office of the president. The president holds power for at least five years; for this reason alone, the office of the president is more stable than the government, especially a coalition government. The subordination of the army to the president, as far as commanding it is concerned, will greatly increase its independence of shifting political alliances. A considerable majority of the officer corps comes out in favor of these arrangements.

[Cielemecki] What do you think about, shall we say, quasi-political organizations operating in the armed forces, such as the Viritim Association?

[Milewski] This is an informal organization. In democratic countries, officers, especially retired officers, start various associations and clubs which consolidate their community, increase the prestige of the armed forces, and engage in cultural and social activities. However, those associations are not political. So far, I cannot see that Viritim has accomplished anything useful for the army or the soldiers.

#### Swiss Minister on Cooperation, Aid, EBRD

92EP0400A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 21 Apr 92 p 1

[Interview with Jean-Pascal Delamuraz, Swiss minister of economy, by Joanna Boczkowska-Crettenand; place and date not given: "Help for East Europe Is a Priority for Us"]

[Text] [Boczkowska-Crettenand] You are heading up the Swiss economic mission that is beginning a visit to Poland. What is the purpose of this trip?

[Delamuraz] Three years ago I established a joint mission composed of representatives of state administration and the heads of large industrial firms. Our goal is to meet people at those same levels in other countries: ministers and directors of enterprises. We have already been in Brazil, South Korea, Singapore, and most recently in Hungary and Czechoslovakia.



The purpose of our trip to Poland, which we have not yet visited, will be to establish closer economic relations, and increase trade, investment, and joint ventures. For we are not forgetting our political responsibility to Poland, which after its political revolution should carry out an economic revolution. The process of moving toward a market economy is long and painful and we have no right to prolong it. Thus the program of technical, financial employee training assistance on our part.

[Boczkowska-Crettenand] Do you expect concrete results from this visit?

[Delamuraz] I do not think it will come to signing contracts during our visit, but it will establish an atmosphere conducive to this. Several matters will be finalized, and on the state's part, agreements will be signed, one of which is especially important to me. If it comes about, it will be my surprise present. Among other things, there will also be discussions about agreements between Poland and the EFTA [European Free Trade Association].

[Boczkowska-Crettenand] At what point are negotiations between that association and Poland now?

[Delamuraz] We have not yet been able to sign an agreement with Poland, although Poland has already signed an agreement to become associated with the EEC. As a result, the Swiss export industry is in an unfavorable position in relation to its competitors in Common Market countries. That is why we would like the signing to take place as soon as possible.

Several issues still stand in the way, including the matter of agriculture. This area of the economy has not yet, as a rule (although there are means), been taken into consideration, either in agreements among EFTA countries or in the future treaty on the European Economic Sphere signed by EFTA countries and the EEC. It is understandable that Poland or Hungary would like to introduce agriculture into bilateral agreements, but this creates a problem for countries like mine. The demand for agricultural products is completely satisfied by our agriculture; in several sectors there is even a surplus. A massive influx of farm products from East European countries creates the problem of a market for them. The solution is not simple. But I hope that negotiations will be finalized by the end of this year.

It is also worth emphasizing that the EFTA countries do not foresee a classic agreement on free trade with Poland, with ideally equivalent concessions and benefits. For the first time in our history, we have established asymmetrical agreements. They take into consideration the difference in the maturity of both economies; in this way we can help Poland in a period that is so difficult, uncertain and socially set off, that will last longer than the political revolution.

[Boczkowska-Crettenand] Switzerland's budget situation, like that of other European countries, is not the

best. Indeed, it is necessary to save in all areas. Will this affect cooperation credits for East European countries?

[Delamuraz] For almost universal reasons, we are forced to limit state expenditures. The hole in the budget should not exceed that certain level it has exceeded. But when it comes to credits for East European countries, there can be no question of reducing them, but rather of spreading them out over time. We realize that help is needed now, not in four years.

If our three-year plan for improving the economy is concluded successfully, we will be able to do more. Help for East Europe is a priority for us.

[Boczkowska-Crettenand] Last week you took part in a meeting of the European Bank for Reconstruction and Development [EBRD] in Budapest, where Jacques Attali proposed establishing regional funds for countries where investment risk is still rather high. Are you a supporter of this initiative?

[Delamuraz] It is an initiative that requires development. Yet, in contrast to other members of the bank, we believe that the EBRD should disburse loan funds at a low interest rate. We are also against increasing the bank's fund. There is no lack of money, only projects. We also think it appropriate that 40 percent of the funds be earmarked for state projects and 60 percent for private ones. In the public sector, its most important purpose is help in converting military goods factories into another kind of industry. The EBRD should concentrate on supporting rational solutions, rousing the spirit of future success, and not artificially maintaining structures and factories that are already obsolete and unprofitable.

[Boczkowska-Crettenand] At the EBRD meeting in Budapest, you reproached its director for not appreciating the importance of small and medium-sized enterprises.

[Delamuraz] That was not a reproach. I only said that the EBRD, during the first year of its existence, concentrated on large projects, and that was good. But in the future, it should not overlook small and medium-sized enterprises. Which does not mean that it has overlooked them up to now; it simply did not have the opportunity, in such a short period, to include everything in its operations.

Small and medium-sized plants are important not only for economic reasons, but also for social and political reasons. They are the foundation of a market economy. They create the middle social class that has been so lacking in societies of the Soviet type. They are also an element of state stability and strength. Supporting large projects is crucial to reforming economies, but the EBRD has free lines of credit and can use them for this purpose.

### Western Aid to Medium-Size Firms Described

92EP0399A Warsaw ZYCIE GOSPODARCZE  
in Polish No 17, 16 Apr 92 p 17

[Interview with G.K. Van Der Mandele, general director of the Center for International Aid to Polish Enterprises, by Eugeniusz Mozejko; place and date not given: "Those in the Middle Can Count On Help"]

[Text] [Mozejko] What tasks has the center you direct set for itself?

[Van Der Mandele] Our center was founded primarily in order to help medium-size businesses that employ from 50 to 1,000 people. Large businesses have ways to gain support and to gain resources from other sources or they have their own. On the other hand, small businesses can use many funds formed especially for them such as the EC fund or the British Know-How fund. But medium-size businesses have few, if any, ways of gaining foreign support, especially technical help. Thus, although we have not been in existence for long, we have many clients. Walking along the corridors, you surely noted that all the rooms are full of people, and that they are not just our personnel, but also clients.

The need to ensure help for medium-size businesses appeared when the IFC [International Finance Corporation] working in conjunction with the World Bank set up a credit line of 50,000 marks [DM] at the Export Development Bank for them, while two years later it turned out that only 10 percent of the fund had been used. We began to analyze the reasons, and it turned out that there are two: First, the bank itself had to master new ways of analyzing projects which are to be financed by the fund, but even more importantly, the businesses applying for loans or investment proposals presented papers from which one could not tell what the proposal concerned. Meanwhile, in the new conditions in which banks bear much greater risk, they must know much more about the projects they agree to finance. In this situation, we decided it was necessary to form a service like ours. And that is what happened: Dr. Balcerowicz met with representatives of the IFC with whom he agreed to form a center under the name International Help for Polish Businesses. The IFC asked the European Bank for Reconstruction and Development to cooperate in this undertaking. We gained significant help from the United States, Holland, Denmark, Sweden, France, Canada, and many other countries. It is really an international undertaking.

[Mozejko] What kind of help do you provide for your clients?

[Van Der Mandele] We began with preparing development projects. For example, someone has an idea to start production of some product; he needs money to purchase machinery and equipment, working capital, money to employ workers, in brief, to build a factory, but he is unable to properly present his proposal to the bank. He can come to us with his proposal, we sit down

together and develop a complete business plan. We hold discussions, we ask why do you want to do exactly that and not something else, we discuss every detail. Later, such a detailed business plan is transformed into a plan to finance the undertaking; one has to know how much money is needed and where to get it. And finally, we develop an investment proposal with which we and the entrepreneur go to the bank and other institutions to look for loans or investment capital.

This method can be used in privatizing enterprises, and we already have a few cases in which we are helping potential buyers (we never appear on the side of the seller) to develop business plans which will allow them immediately on the day they buy the plant to begin exploiting it, that specify what to sell to whom and what price to ask. The French call it a plan de campagne.

Dr. Balcerowicz also asked us to employ as many Polish experts as possible with a view primarily to training them.

[Mozejko] Does what you said mean that you are a sort of consulting firm?

[Van Der Mandele] No, we are not ordinary consultants. We are also not a bank; we do not have any money of our own. We are something in between. I would explain it this way: Ordinary consultants do not engage themselves so deeply in the implementation of a proposal as we do. We take an interest not only in its execution, but also in the production technology, the sales system, the marketing.

[Mozejko] Do you also visit the plants of your clients?

[Van Der Mandele] Obviously, we act as a unit within the business or company. We are also different from an ordinary consulting firm in that such a firm usually takes a payment for its services by the day, week, or month and after performing its commission, it writes a beautiful report, presents a bill. Thank you, good bye. And the deal is finished. Unfortunately, such a report lands at the bottom of a drawer. We work with the given firm at least until its project is financed or until the product gets to the market. We demand at the very beginning that the client put a small sum down as a deposit, simply to be sure he is certain, that he is serious. Only when the proposal proves profitable, do we expect a respectable percentage of the profits: Regarding the percentage, we are flexible. It can be a percentage of the value of the proposal or a rate specified in some other way; we can receive money or part ownership so as not to deprive the business of resources which it may need during the difficult initial period.

[Mozejko] Are you a self-financing institution?

[Van Der Mandele] We are not yet able to support ourselves which is why we get help from the international societies I mentioned, but in the future we expect to become self-supporting. Thus, we consider ourselves more a partner than a consulting firm. But we work with

many consulting firms, local and foreign. We ourselves, however, operate on other principles. When we decide that we can help a particular business, and it wants to receive help; we form a group consisting usually of an expert in the given area, a specialist in an industry, transportation, food processing, etc.

[Mozejko] Where do you find these specialists?

[Van Der Mandele] In West Europe, North America, Japan, wherever we can find the right one. Sometimes, it takes time, a month or two. The second member of such a group is an expert from a local consulting firm; sometimes we are not well enough acquainted with the conditions in which we have to operate, with the local laws; moreover, not all of us know the language. The third is usually a member of our own group. We have already hired 10 local specialists—engineers, economists, lawyers—who in two or three years can become consultants for entrepreneurs, banks, etc.

We are not, however, competition for local consulting firms; on the contrary, we ourselves pay for their services. We concentrate on undertakings which have relations with other countries—with foreign markets, with foreign financing or technology.

[Mozejko] I am not a proponent of local consultants. How many permanent employees do you have?

[Van Der Mandele] Besides the 10 local employees, there are four others from other countries, including myself. Besides that we have support personnel—secretaries, drivers. We also intend to open our own offices outside Warsaw. At first, we are planning to open three. We are considering cities like Gdansk, Poznan, Wroclaw, Katowice, Krakow, Lodz, Lublin. We must carefully examine where most of our clients come from.

[Mozejko] All this to use the DM50,000 of the IFC?

[Van Der Mandele] Of course not. That was only an example from which everything began. Since then new credit lines have been opened; in particular, the World Bank and the EC Bank have created funds to develop small and medium-size businesses. There is a Polish-American fund to develop private businesses; I am also certain that the IFC and European bank will earmark more funds for this purpose. The potential loan seekers are too small to directly benefit from these sources of financing; the local banks must act as intermediaries; they in turn ask the international institutions for loans. They have already opened lines of credit for that purpose, for example, for the Austrian Creditanstalt or the Dutch MBB, and we can help in preparing the appropriate investment proposals.

[Mozejko] On what are you currently working in your center?

[Van Der Mandele] At present we are developing 17 proposals, and we have a very long list of businesses waiting to have their ideas evaluated. We intend soon to present several proposals to the banks, and we hope to

ensure financing for them. You must remember that we actually began work in November 1991 and that it takes at least three months for any proposal to take shape. The results of our work are only now beginning to become visible.

[Mozejko] Is your center able to influence the banks and ensure sources of financing for the proposals developed here?

[Van Der Mandele] Our influence on them is limited only to the high quality of our work, to the professional preparation of proposals. We hope that our affiliation with the IFC and the World Bank increases our credibility in the eyes of the bankers to whom we turn for financing.

[Mozejko] Who is the director that calls himself an international servant?

[Van Der Mandele] I am a foreigner, from Holland, if you want to know, but I live in Poland with my family; I am learning Polish and I intend to behave like a Pole.

[Mozejko] Are you worried by the political situation in Poland which can hardly be called stable?

[Van Der Mandele] I have the advantage of looking at Poland from a different perspective from that of the politicians. They look at the summit; we look at the bottom. Young people come to us—not just young ones—with excellent thoughts and ideas, and all they need is help in developing them into something credible to the banks. But the ideas themselves are sound, examining things in market and technical terms, they are also people prepared to roll up their sleeves and produce. It may be difficult, but from this perspective the future of Poland looks much more optimistic than it would appear from reading the newspapers. Obviously, it is very important that these efforts and exertions find international support and that everything be done to coordinate things better, that these efforts be brought under some joint label in order to produce greater effects.

[Mozejko] Thanks for your comments.

### **Image Problems Impede Foreign Capital**

92EP0401A Warsaw POLITYKA in Polish No 17,  
25 Apr 92 p 5

[Article by Jerzy Kleer: "How They See Us; Foreign Capital Chooses Hungary and Czechoslovakia"]

[Text] The last few months has seriously changed the image of Poland in the West. Unfortunately, not to our favor. This change stems from three circumstances: political instability, shrinking approval for radical economic reforms, and, finally, loudly expressed dislike of foreign capital.

The dispute about the state of the economy that took place at the turn of the year was more political than economic. A comparison of Poland's economic results

last year with those of the other postcommunist countries indicates that despite regression in many areas, we did very well, recording either a lower decline, or even growth, as, for example, in imports, retail sales, or amount of consumption. Furthermore, if we consider the parallel unregistered economy, it would probably turn out that the first signs of improvement, although not in all areas, were already observable.

However, the results of the first two months of 1992 are disturbing. They can be attributed in some measure to the apocalyptic visions presented by the representatives of the government, with the prime minister in lead. Economic activity is an incredibly sensitive field. It depends in equal degree on the subjective feelings of managers as well as on the realities. No self respecting entrepreneur will risk his capital in a situation in which the economic program is not clear, when the rules of the game are vague and unstable, when the tax burden is high. Poland has one of the most restrictive taxing systems, calculating the charges against profits (incomes) not in percentages—but by comparing their absolute amounts, at a time when the state administration (central and regional) is inefficient and continues to settle many matters in an arbitrary way, ignoring existing regulations and laws.

1. Polish entrepreneurs are left to the mercy of these not very favorable conditions. It is different with foreign capital, which can choose between many countries, where the demand for foreign investment is very large. Is Poland an attractive country for foreign capital? Before I answer that question, it would be well to consider whether we need a larger inflow of foreign capital. This is not a theoretical problem. We hear both average citizens as well as representatives of the elite, say that this is not an essential condition for ownership, institutional, restructuring, etc., transformations, that we can overcome the existing weaknesses by our own forces. This is an erroneous viewpoint.

If the takeover of authority and the first steps in the process of liberalization and deregulation, (i.e., the selection of a model for a move to a market economy) can be made by our own internal forces, then the establishing of a market economy in a relatively short time (10-15 years), is possible only with the strong support of foreign capital. There is not time—at least in Europe—or ability, to lessen the distance in relation to others over a period of a few generations, and that is how it would probably be if it were done with only our own forces, with only small support from foreign capital. A country which chose such an option would very quickly find itself on the economic and, undoubtedly, the cultural fringe, of Europe.

There are many reasons why an inflow of foreign capital is needed during a process of transformation. It would be well to mention at least some of them: the creation of a new information system, one that is adapted to the conditions and standards of a market infrastructure; the

training of managers; the import of technologies; the protection of the environment; and privatization.

Finally, foreign capital is needed so that it can aggressively compete with domestic enterprises.

If we believe that without such competition the adjustment process in industry, agriculture, construction, and trade is possible, we do not understand the realities of an open economy.

2. Foreign investors direct their capital investment in accordance with certain preferences, which in some measure are objective and in some measure are connected with the mental image of the country in which they are to invest. Hence, with the exception of data pertaining to the number of joint ventures and invested capital, all other qualitative evaluations are loaded with some dose of subjectivism. But they are significant because investors are guided by a certain philosophy, to which the country striving for investments must acquiesce.

Where does Poland rank among postcommunist countries in this competition? Unfortunately, in comparison to such states as Hungary or Czechoslovakia, we are always in last place, both when we take into account only the human factor and material resources, as well as when we take into account how far the transformation process has progressed.

At the end of September 1991, 10,600 joint ventures with a capital of \$2.3 billion were registered in Hungary. In Czechoslovakia, there were 4,000 with a capital slightly over \$500 million, and in Poland there were 5,000 with a capital exceeding \$670 million.

Information concerning the first quarter of this year shows that Czechoslovakia has already gotten ahead of Poland, from the standpoint of both registered mixed enterprises and capital investments. The growth rate of foreign capital in Czechoslovakia and Hungary is much faster than in Poland. Why does this happen? The answer, at least partial, to this question, is given in a professional report prepared by a consulting firm in Munich. It is based on a detailed survey conducted among Western investors and institutions which are investing capital in those countries. The report rates the countries on a 10-point scale, in six groups covering responses to 43 detailed questions. The scale is divided into three sections. They are defined as: unfavorable, fairly favorable, and unfavorable.

First, a few general comments: It turns out that none of the three countries received a perfect score. Once only, Hungary received 9.5 points on a question regarding relationship to the market economy and free enterprise, and once Czechoslovakia got the same score in relation to personnel costs.

Poland, on the other hand, places as follows: Its best scores are in two cases (market size, a 7.5 indicator, and access to real estate and land, 6.8). However, in 34 cases



its ratings are the lowest. We should take a somewhat broader look at the latter because they tell us a great deal about the state of the Polish economy, the conditions and capabilities, and also about the rate of transformations in the direction of a market economy and its appeal to foreign capital.

Let us begin, perhaps, with those indicators which place the Polish economy in the unfavorable conditions section. The worst are believed to be: the balance of payments (0.5) and the efficiency of administrations at different levels (0.6). A score of 1 (out of 10) was assigned to the ability of local production to manufacture high-quality products of differentiated character. Slightly above 1 was given to the amount of income per inhabitant. Scores between 1 and 3 were given to fields such as: access to credits, certainty in availability of raw materials, auxiliary materials for production, the banking system, the transport system, power supplies, the communications system (infrastructure), the supply of experts, the technical level of enterprises, the qualifications of workers, international economic ties, profitability rate, legal security, and social tranquility—i.e., the inclination towards strikes. The speed with which agreements are concluded ranks on the borderline between unfavorable and fairly favorable conditions.

Even if we have some doubts as to certain evaluations, we must not treat them lightly. For two reasons: First, a very prosaic one, because the evaluation describes the real inclination of investors to invest in Poland; second, a very important one, because it indicates the fields in which we are bad, and that whether we can move to a normal market economy will depend on whether we can overcome these barriers. Regardless of whether foreign capital comes into Poland.

3. What fields have been included in the fairly favorable section? On the borderline between unfavorable and fairly favorable conditions is internal stability (3.8 points). The report was prepared in the period between elections and the formation of a government. From the many opinions which appeared in recent months, one may believe that if this question were asked now, the assessment of internal stability, or to put it more clearly, political stability, would be shifted to the unfavorable conditions group.

The fairly favorable conditions (a score of 4 to 7) include: degree of liberalization of system, ownership guarantees, transfer of profits, energy prices, ability to reduce costs of production by using local materials and semifinished products, economic growth in the future, limited intensity of competition, relationship to market economy, and free entrepreneurship. This section also contains a rather large group of conditions such as: a chance for membership in EC, a bridge to future market in the East, i.e., the CIS [Commonwealth of Independent States] countries (however, in this last case we rank below both Hungary as well as Czechoslovakia, which from this standpoint was rated the highest); relatively favorable position for development of competitive

ability in the future; level of services for domestic enterprises and those derived from EC; ability to transfer profits (here we are ahead of Czechoslovakia but behind Hungary), and finally, conditions in joint-venture operations.

Finally, there are a few cases which place Poland in the favorable conditions section. Unfortunately, there are not many of them. They come down to three cases, not counting the two that were mentioned earlier (size of market and access to real estate). They are: wages, wages per unit of product, and labor-force supply.

4. The report supplies a great deal of comparison material pertaining to the economies of Hungary and Czechoslovakia. Thus, Hungary is in first place in 21 cases, and in eight cases it is in the same place as Czechoslovakia. On the other hand, Czechoslovakia holds first place in four cases.

Conclusions from the—of necessity—cursorily discussed report are twofold in nature. The Polish economy, from the standpoint of attractiveness to foreign capital, is in a much worse situation than Hungary and Czechoslovakia. But attention should be directed at three questions.

The first relates to the fact that the scope of Poland's economic ties with foreign countries was always much smaller in comparison with the other two countries. Export per one inhabitant in 1990 totaled (in U.S. dollars): in Poland, 375; in Czechoslovakia, 759; and in Hungary, 920. Wider foreign contacts, even in a communist system, made for better quality of products, more concern about manufacturing methods, better market information, better developed infrastructure, etc.

Question two relates to the organization of work in enterprises, work productivity, and higher qualifications in Czechoslovakia and Hungary than in Poland. The tradition of an engineering culture, in the near and more distant past, was much richer in both these countries than in Poland.

The third question relates mainly to Hungary and has been linked since 1968 to the market orientation of the socialist economy in that country. The quasi-reforms in Poland in the 1980's did not create such a starting point for the processes of transformations, as was the case in Hungary.

But coming back to our own affairs, two conclusions emerge. The report calls attention to certain areas which can be changed relatively quickly and without a great deal of money. These are the legal framework, the efficiency of the administration, property guarantees, the permanence of the contracts entered into, etc. The second conclusion pertains to what is generally called the bad climate for foreign capital, which was so strongly expressed by representatives of economic circles during President Walesa's visit in Germany. Without a change



in this climate, which is the main task of the government and the political elite, no larger inflow of foreign capital will be possible.

Anyway, the problem is much broader in nature. The extent of the need for foreign capital to modernize a postcommunist economy has been shown by East Germany. In the past year, the transfer of capital from the western part of Germany was larger than the entire national product in Poland, amounting to almost 160 billion marks [DM]. And this year it is supposed to be even larger. It is also shown that it will not be possible for the former GDR to achieve a West German standard before the year 2000. At the same time, demand for capital in the world, and especially in the postcommunist countries, is enormous. In the race for these reserves of capital, which, after all, are limited, each country which will do everything it can to get ahead of its rivals.

If Poland does not want to become a poverty zone and demonstrate its backwardness, we must listen carefully to what is being said about us. And quickly draw conclusions.

#### **NBP President on Monetary Credit Policy**

92EP0356A Warsaw RZECZPOSPOLITA (supplement)  
in Polish 26 Mar 92 pp I-II

[Interview with Hanna Gronkiewicz-Waltz, president of the National Bank of Poland, by Piotr Aleksandrowicz; place and date not given: "We Cannot Stand Aside"]

[Text] [Aleksandrowicz] What is your opinion of the budget bill?

[Gronkiewicz-Waltz] Its realization will not be easy. The deficit is large. In absolute numbers, it amounts to more than 65 trillion zlotys [Z]. Just half a year ago, few expected that 1992 would be characterized by such a large deficit. On the other hand, however, it is within safety limits: It amounts to no more than 5 percent of the gross national product. It was difficult, but international organizations accepted such a deficit. From the beginning, the bank declared that it would cooperate with the government. It will strive to ensure joint financing of the deficit to the extent that is safe for monetary equilibrium. Credit for the budget from the banking system will amount to slightly more than Z50 trillion, and this is acceptable.

[Aleksandrowicz] Do any points of contention exist between the NBP [National Bank of Poland] and the government related to the budget and the assumptions of monetary policy?

[Gronkiewicz-Waltz] The central bank believes that the supply of money can grow at most by Z127 trillion in 1992. However, the Ministry of Finance sees it several trillion higher. But this problem is solvable, provided that one remembers that the opinion of the Ministry of Finance does not bind us. However, on the question of financing the budget, we have agreed upon everything.

[Aleksandrowicz] In that case, how will credit for the budget look?

[Gronkiewicz-Waltz] The NBP will be the government's agent in buying treasury bonds on the primary market. We have agreed upon the safety limit: Z20 trillion worth of purchases by the NBP. Consequently, the NBP will finance about one third of the deficit. We can take responsibility up to that figure. As for the rest of the treasury bonds, we can only be the organizer of the secondary market. The Ministry of Finance suggested that we force the commercial banks to buy bonds. We cannot agree to that and will instead operate through persuasion, not administrative orders. The road of persuasion is a strong road too, particularly if the purchase of bonds is tied to credit limits but does not put banks up against the wall like an administrative order. We could not accept the suggestion that the banks concern themselves with financing the budget deficit instead of extending credit to the economy.

[Aleksandrowicz] And how will the NBP's credit accounts for the budget from previous years be accounted for?

[Gronkiewicz-Waltz] It is anticipated that before mid-year, the minister of finance will convert the debts from the years 1982 through 1991 that are still owed the NBP into bonds and treasury securities.

[Aleksandrowicz] What is your opinion of the ratio between growth in credit for the budget (more than Z50 trillion) and growth in credit for the economy (Z80 trillion)?

[Gronkiewicz-Waltz] There is no way to fool anybody: They are not good. The money in the economy has dried up. Hope can be attached only to the flow of money from abroad. The NBP will try to act through all available methods to help enterprises in their search for resources and credit guarantees.

[Aleksandrowicz] In that case, how will the cooperation that the NBP has announced in support of the government's restructuring activities look?

[Gronkiewicz-Waltz] The government will prepare a list of enterprises to be restructured, and we will be in a position to make available to them a certain sum in the form of finance credits. We will not designate actual borrowers; let the commercial banks do that. However, we would like to have some insight into who will receive restructuring credits. When the minister of industry is designating the enterprises to be restructured, God forbid that all the winners be those who have greater penetrating strength, rather than an honest program.

[Aleksandrowicz] What sort of figure might we be talking about?

[Gronkiewicz-Waltz] It depends on what the government presents to us. Nevertheless, I can assure you that the size of these resources will not exceed the limits of safety.

[Aleksandrowicz] Do your studies on central banks indicate that the NBP should also fill the role of financing actual government projects?

[Gronkiewicz-Waltz] Central banks differ greatly. Some of them are dependent on the state treasury; others are not. There are also central banks that extend credit in the normal way. I believe that we will try to cooperate with the government and not turn our backs.... We, sir, are in a position to come down to a level of 15-percent inflation. What does that mean to art? That is not the issue. I have a different philosophy, which does not mean that I will be a submissive president. I think that in practice the central bank will be more independent than it once was, although perhaps more was said about independence then.

[Aleksandrowicz] What will the NBP do if the minister of foreign cooperation or the minister of industry begins to press for a quicker devaluation of the zloty?

[Gronkiewicz-Waltz] The president of the NBP, acting in conjunction with the minister of finance and the minister of foreign economic cooperation, is responsible for exchange rate policy. This means that statutory powers serve the central bank. Moreover, the NBP has its tasks written in the statute. Among them is to guard the value of Polish money, both on the domestic market and with respect to foreign currencies. So far, no one has relieved the NBP of this function.

[Aleksandrowicz] You said that you are a supporter of fluid currency rates. When might they be introduced?

[Gronkiewicz-Waltz] The exchange rate is currently established in an artificial manner. Today, we are not yet prepared for a fluid rate. We lack a currency market. But I hope that we could think about introducing a fluid rate within the next year. Perhaps I am too great an optimist.

[Aleksandrowicz] It is possible that it will then become necessary to accelerate devaluation. Which would be better: a one-time adjustment, similar to that which was made in February, or a gradual devaluation at an accelerated rate?

[Gronkiewicz-Waltz] I am an advocate, in cases of this type, of accelerating creeping devaluation. Abrupt changes are really not favorable. They bring unfavorable economic effects and are received badly by society.

[Aleksandrowicz] The projection of the balance of payments that is included in the budget is surprisingly optimistic. Does the NBP consider it realistic?

[Gronkiewicz-Waltz] We have certain doubts—let's skip the details. Beyond that, the minister of finance is mobilizing us to increase our profitability through better investment of foreign reserves. We, of course, will consider this, but our reserves must above all be safe.

[Aleksandrowicz] How realistic is the foreign aid that the budget bill foresees?

[Gronkiewicz-Waltz] We have not talked about it. That is the domain of the minister of finance. We have spoken about the budget and we have coordinated financing through the banking system.

[Aleksandrowicz] The basic interest rate is supposed to ensure that interest on credit is favorable. Does this mean, taking into account the projection of inflation, that a reduction in this rate cannot be expected in the next few months?

[Gronkiewicz-Waltz] I do not see any such possibility, and I have said this consistently in public.

[Aleksandrowicz] Enterprises will be disappointed: They were counting on a reduction in the cost of credit following the change of government and the president of the NBP.

[Gronkiewicz-Waltz] Those were false expectations, and I never promised this. Also, refinance credit tied to restructuring will not be cheaper, just directed. But I see possibilities of cheaper credit in the absorption of foreign credit. However, this all depends on the dynamics of enterprise directors, regardless of whether they work in the state or the private sector.

[Aleksandrowicz] A lot has been said about the idea of making credit cheaper by capitalizing interest. Where the budget will finance capitalization, the matter is clear, but this accounts for only a modest portion of the credits for housing targets. May any other moves be expected?

[Gronkiewicz-Waltz] The NBP intends to buy securities issued by the commercial banks, but on condition that the resources obtained from the sales of these securities will be allocated for financing capitalized interest on credits granted for ventures consistent with the government's restructuring policy. The scale of purchases of these securities will depend on the range of the restructuring program. The central bank foresees about Z1 trillion for this goal in the projected money supply. But I repeat, this still must be discussed in consultation with the government.

[Aleksandrowicz] There is wording in the budget bill about complex, one-time debt restructuring for enterprises and banks. What does this consist of?

[Gronkiewicz-Waltz] I believe it has to do with activities that the World Bank—I hope—will assist, whether it is a question of restructuring the debt or capitalizing the banks. This will also mean decisively cutting off credits from some debtors, renegotiating debts, and accepting shares in enterprises. However, this last measure cannot be counted upon universally, because what good do shares in a bankruptcy do a bank? Nevertheless, it is hard to speak of a one-time operation.

[Aleksandrowicz] What is the actual state of the banks?

[Gronkiewicz-Waltz] It is difficult. Their portfolios of bad credits are too large. The situation has grown worse in the last half year.

[Aleksandrowicz] How, in that case, can it be changed?

[Gronkiewicz-Waltz] Above all, bank supervision must be strengthened.

[Aleksandrowicz] Supervision can limit further errors, but how can we extricate ourselves from those that the banks have already made?

[Gronkiewicz-Waltz] The banks themselves must prepare programs for improving their situation. There is no universal solution.

[Aleksandrowicz] Will the NBP be the bank of last resort?

[Gronkiewicz-Waltz] I do not exclude that possibility, but potential refinance credit could be granted only in really exceptional cases, as a last resort, because we cannot release banks from responsibility for what they do.

[Aleksandrowicz] In conclusion, let's return to the NBP's statutory duty to protect money. How do you evaluate the threat of high inflation?

[Gronkiewicz-Waltz] I believe that there is a chance to keep inflation at the level that was assumed in the creation of the budget.

**Prisoners' Charge: No Change Since Ceausescu**

92BA0886A Budapest BESZELO in Hungarian  
25 Apr 92 pp 23-25

[Shortened version of interviews with Romanian prisoners broadcast by Norddeutsche Rundfunk in Romania; date not given: "Romanian Prisons—"You Will Disappear, but We Will Stay Here"—first paragraph is BESZELO introduction]

[Text] "The guards have their ways of finding out what we've been talking about," say the inmates of the infamous Jilava prison close to Bucharest. Although they are afraid of repercussions, they talk openly about the medieval conditions in the prison, which did not change at all after the "change of regime." This was the cause of the prison revolt in August 1990, lead by a Hungarian convict, Karoly Domokos. A film crew of Spiegel TV made a documentary of Romanian prisons in December of last year. The authorities allowed the reporter for the first time to talk to the prisoners without the presence of guards. The interviews were made by Andrei Schwartz, a German national born in Romania who lives in Hamburg today. Our text is a shortened version of the program broadcast by Norddeutsche Rundfunk. The pictures are from the documentary, which has not yet been aired.

Behind the concrete walls and the multiple fence lines dividing the Jilava prison from the snow-covered fields, the visitor is greeted by a suspicious order. Of course, what he will encounter here he has already witnessed outside, in daily life in Romania. He can observe even greater deprivation outside. Monotony and poverty are everywhere.... Many prisoners wear old, refurbished military uniforms with only a few stripes sewn on afterward....

The Jilava penal institute, 20 kilometers from Bucharest, was, until the 1989 revolution, the first station for almost every political prisoner. On 20 and 21 December 1989, all demonstrators who had fallen victim by the hundreds to the nightly roundups by the army and the police in Bucharest were brought to that wing of the recently abandoned fortress, which is 15 meters underground. "The place was so crowded," tell some of the people who were later set free, "that the guards could barely control the whole tract. Some officers suggested a mass execution to make room for the ones to be brought in later." Very likely only the headlong flight of the Conducator [Ceausescu] the following day accounts for the fact that the people who had been arbitrarily selected to die were able to leave the place alive. As we enter, the prisoners with their close cropped heads must turn to the wall immediately and stay there with their heads bent until they receive orders from the warden. Every prisoner we accidentally meet in the hallway must do the same. "This is only a precautionary measure, so that the prisoners cannot carry out a surprise attack on the guards," explain our attendants.

[Prisoner Ion Preda] Nothing has changed here. The old guards who were beating us during the glorious regime of comrade Ceausescu have kept their positions without exception, or have even been promoted. The entire enforcement of the law is still based on the old, unchanged Communist Law No. 23. We call it "slow death." The new parliament proclaimed that every law of the Ceausescu regime that was infringing on lawful rights will become inoperative. This law No. 23 is still untouched. We don't even know what is in it. None of us has ever seen its text. [end of comment]

The 20 occupants of the cell can use a primitive toilet and a concrete sink in a room in the back. There are three huge plastic tubs under the dripping taps. The fourth tap cannot be turned off at the moment....

[Prisoner Gheorghe Nicolae] If a lab took a sample of the drinking water, they would have to close the prison immediately. Sometimes there is no water for days; that's why we always have to keep some reserves in these trashy tubs that have been here for 20 years. You can imagine what has accumulated in them. [end of comment]

One can easily reckon the chances of recovery for the large number of prisoners with tuberculosis. The heat comes on for about half an hour a day. The cell is cold and humid because the prisoners hang their underwear to dry on the metal frames of the three-tiered bunk beds.

[Gheorghe Nicolae] When we take a shower, we hardly have enough time to wash the soap out of our hair. The guards say there isn't enough water.

[Ion Preda] No wonder we all have lice. There are countless diseases here, TB, skin, and venereal diseases. If someone comes in healthy, he has to take great care of himself so he won't infect his whole family after he is released. We don't even get the few pills that our families went to so much trouble to buy. The warden and the staff blame it on each other. They give you the same raw deal with the food packages. If a package is only a little heavier than the permitted five kg, then the family has to take home the excess, say, half a tomato.

[Prisoner Viorel Oancea] The food is a catastrophe. Always the same concoction of canned vegetables. Only unpeeled potatoes, beans, or rotten cabbage. Once in a blue moon a few little pieces of meat are swimming in it.

[Reporter] What are your chances of not winding up here again after you have been released?

[Viorel Oancea] None. What are we supposed to live on after we have been released, if the prison releases us without a penny? At the time of Ceausescu, at least one was able to learn a trade in every prison; one didn't have to spend the time senselessly. After a convict was released, he had a little supply of money, even if he only got a ridiculous 10 percent of his salary.

[Gheorghe Nicolae] If we complain to the administration, the outcome is only more beatings and abuse. And

if someone tried to block the blows, he would be made into ground beef. I would like to ask you to inquire about us later. You will leave here in a few hours, but we will stay at the mercy of the boys. The guards have their ways of finding out what we've been talking about here. I'm sure to get 10 days solitary confinement. But I won't let them do me in.... By the way, no word gets out about the terror here. People really have no idea what goes on here day after day.

[Viorel Oancea] I tried to kill myself to escape the beatings in solitary confinement. I was put there only because a prison guard said I looked at him in the wrong way. In solitary confinement we were given something to eat only every other day. I had to wear shackles on my legs. Some of us also had to wear handcuffs. Our toilet was a slop pail that they emptied once a day. They only painted the wall 10 minutes ago because of you, so you would not see the marks of shit on it. Take a look, the whitewash is completely fresh.

[Ion Preda] Maybe we committed a crime outside, but still they shouldn't treat us like animals. All I did was complain to the guard that someone stole all my cigarettes. "If you grumble, you go to the hole, you wimpy rat!" (That is, to solitary confinement.) That's what he said. I hope my family will try something. I only want to be moved to another tract. The point is that the guards here, with the help of some prisoners, terrorize us. The one who has been in the cell the longest, and will be released soon, threatens the others with a knife. The guards cover for him because he is their informer. The warden doesn't want to know anything, if he comes here at all. I had to sew my lips together with a piece of string so they would let me go to him at all. I waited like that for two days. I had no other choice left. [end of comment]

In this cell, measuring three and a half square meters, there used to be four prisoners. During the 10 days of solitary confinement they were strictly forbidden to sit down during the day. There was an iron berth, about 1 m wide, fastened to the wall. The four prisoners had to share it to sleep. All of them were not able to lie down on it at the same time.

On the bare concrete floor there was nothing but a rusty bucket for a toilet. Two of the prisoners had a heavy chain fastened to their ankles. Some had their hands handcuffed behind them. The prisoners estimated that the shackles weighed about 15-20 kg. On the previous day, when I applied to the Ministry of Justice for a permit to visit the prison, I found out from Adrian Duta, state secretary in charge of prisons, what kinds of constraining measures are allowed according to the regulations of the law of 1967, still on the books.

Incidentally, the privilege of being allowed to stay alone with the prisoners was due in all likelihood to the fact that Quintus, the new liberal minister of justice from the political opposition, wanted to improve the image blemished by his predecessor.... In Romania, law enforcement is the task of the army, and one must have the rank of a

colonel to be a prison warden. These officers considered my permit outright illegal and another sign of the dilletantism of the "gentlemen" running the ministry.

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Gherla-Szamosujvar is a small town about half an hour's drive from Kolozsvar [Cluj]. Perhaps the most beautiful building in the town, a baroque fortress, was turned into a prison as early as the eighteenth century. This is one of the most infamous prisons in Romania. The four-story central building houses more than 1600 prisoners today. Prisoners brought here are generally sentenced to long terms of imprisonment. As a consequence of growing crime, juvenile offenders in detention awaiting trial have also been brought here lately. Romanian penal institutions are at present overcrowded by more than 30 percent.

[Captain Tintas] We have one primary educational measure: a dialogue between the enforcement officer and the convict in his charge. This is like therapy.

[Colonel Vasile Rus] In the end, we found that religion is the best method to influence an individual. Representatives of every religious community are concerned with the cure of the prisoners' souls. Even well-known preachers from the United States and other Western countries have given lectures on the New Testament.... Somehow this benefits the prisoners more than if we troubled ourselves with newspapers and TV and radio programs. [end of comment]

Not quite two years ago these same law enforcement officers preached from the red catechism of the party to their captive audience.... But it seems that prisoners behind locked doors are worried about completely different matters.

[Prisoner Capusan] When I wake up in the morning, sometimes I feel I will suffocate from the stench of the latrine. Every man has lice here because we cannot wash ourselves. Water runs twice a day, but only for a short time. It isn't even enough to drink.

[Lajos Devan] They say they have stopped using rubber truncheons in this prison. So they have. Instead, the guards hit us now with wooden sticks and table legs.

[Reporter] Could you mention a few names?

[Lajos Devan] No, better not. After all, you will leave here, and I will be taken to be questioned. We have had our experiences with reporters already....

[Prisoner Mircea Musca, cell overseer] You have to understand. They still have fear in their bones. This is the first time that a reporter has talked to us without guards being present. At other times, the administration of the institution knew exactly what every individual said.



[Another prisoner] They took the chains off the so-called dangerous offenders only two days ago. We were surprised; now we know they did it only because you were coming.

[Prisoner Relu Axinte] This morning it was our cell's turn to go to the bathroom. After that, the assistant [prison warden], captain Chioreanu, ordered me to come to the warden's office. He told me that some reporters will try to interview the leaders of the revolt. "Your parents will certainly not be happy," he said, "if every neighbor learns from the radio or TV what you did. Your parents have enough worries as it is. You can refuse the interview without giving a cause. I would certainly suggest that you do that!" I let him know that he need not worry about me. After me, they talked to convict Domokos. [end of comment]

The inmates obtained at least one doubtful privilege from the management of the prison: Now there are only six of them in a cell. They have to atone for the revolt with six extra years. A specially outfitted room absolutely precludes the possibility that they will have any influence on the rest of the inmates. One and a half years ago their influence was amply displayed: That is when the prison revolt occurred in Gherla, which was given tremendous attention by the media.

The indisputable leader of the revolt was Karoly Domokos, who formerly participated in karate championships and was sentenced to 20 years for murder. The earliest he can expect an amnesty is in 18 years.

[Reporter] Mr. Domokos, how did it come to the revolt?

[Prisoner Karoly Domokos] The people were not at all prepared for it, but they could not take the conditions of the prison any longer. They all waited in vain for a perceivable improvement. On that day one of my friends was tortured so much that we couldn't listen to him scream any longer. We tried to free him. After we tied up the guard, we freed all the other prisoners. Many of them climbed onto the roof to demand their rights at the top of their voices. After 48 hours we were defeated with the help of military helicopters. In the end they put chains on us. Since then the terror has only become worse.

[Reporter] The paper wrote at the time that the revolt had nationalist characteristics.

[Relu Axinte] This was Commander Rus's theory. He tried to distort the facts so that no one would know the real reasons for the revolt. This is simply ridiculous. Domokos was the only Hungarian among us....

[Karoly Domokos] They took my chains off only two weeks ago. I spent a year and a half in shackles and handcuffs. For four months my hands were handcuffed behind my back, and after that for three months they were fastened to the shackles with a iron rod. The rod didn't let me move my hands and feet. I couldn't even stretch myself.

[Relu Axinte] We all cut our bellies open, so that our guts were hanging out. We wanted to die. Can you imagine that they would beat someone, from any social class, so much on the shin with a table leg that the wood broke into pieces? Can you really imagine something like this? And another thing. Tell me honestly, what are we in their eyes? People, or only leaders of the pack, as two reporters of FLACARA, a Bucharest magazine, called us? Do you know what they wrote? That we want brandy and women. This was the headline: Leaders of the pack. That is to say, all the other prisoners are only animals, and we, who fought for the rights of the others, were labeled leaders of the pack. [end of comment]

The main gate slammed shut behind us with a loud bang. The clang of the heavy iron resonates for a long time in the courtyard.

#### Photo Captions

1. p. 23: "Nothing has changed here."
2. p. 24 (upper left): Jilava. The cell of prisoners with tuberculosis.
3. p. 24 (lower right): "The wall was painted only because you were coming." Viorel Oaneca
4. p. 25 (upper right): "This is the first time a reporter is talking to us...." Mirea Musca
5. p. 25 (lower right): "Religion is the best method." Colonel Vasile Rus
6. p. 26 (upper right): "Domokos was the only Hungarian among us...." Karoly Domokos and Relu Axinte (on the right)
7. p. 26 (lower left): "We all cut our bellies open."

**Albania's President Berisha on Balkan Crisis**

92BA0953A Zagreb DANAS in Serbo-Croatian  
19 May 92 pp 40-42

[Interview with Albanian President Sali Berisha by Llukman Halili in Tirana; date not given: "Milosevic Always Lies"—first two paragraphs are DANAS introduction]

[Text] In inter-Balkan relations, Albania is striving for a stable policy and peace, but as far as Serbia is concerned, that country continues to follow the logic of war, force, and violence. Europe must be decisive against those who provoke war, says the newly elected state president.

The new president of Albania on the difficult situation in Albania, on Tirana's inclusion in the EC and NATO, on the war in Croatia, and on Albania's attitude towards that war, towards Kosovo, and towards other problems.

Dr. Sali Berisha was born in the town of Stara Tropoja on 1 August 1944. In 1960, he graduated from the School of Medicine at the University of Tirana, where he specialized in cardiology. He was a member of the National Committee of Health-Care Workers with the EHO [expansion not given]. He is the author of many books in the field of cardiology. As early as 1989, at a meeting with then Albanian President Ramiz Alia, he called for the democratization of the country. Subsequently, he published two articles in the weeklies DRITA and BASHKIMI in which he sharply criticized Alia's communist government and called for the introduction of a multiparty system. Even then he did not give up, although he was targeted by the Albanian police, the Sigurimi, and in a critical article in Pristina's RILINDJA, he called for national unity for the purpose of overthrowing communism in Albania, which he regarded as a precondition for also solving the problems of Albanians living in the territory of the former Yugoslavia.

In December 1990, he was among the first to join the student rebellion against the communist government, and he headed the Albanian opposition forces. At the first assembly of the Democratic Party of Albania, held in September 1991, Berisha was elected party chairman.

He speaks English, French, Italian, and Russian. He has a 19-year-old daughter, Argite, studying at the School of Law, and his son Shkelzen is in the eighth grade. His wife, Lirije Berisha, is a teacher.

[Halili] Mr. President, what is your assessment of the political and economic situation in Albania following the victory of the democratic forces in your country?

[Berisha] This country is very fortunate that the opposition forces won the elections of 22 March. It can be said already that there are no major tensions present here, at least not to the extent that they existed previously. I think that the democratic forces face major problems

that await solutions. When I say that I am thinking primarily of the economic situation, which is extremely serious in this country.

The country's economy faces genuine collapse, and it can even be said that it is in a state of collapse. Everything is paralyzed. The forces that have come to power now and the entire machinery of the state must take advantage of the opportunity offered to it by the people. In this direction, I think that Albania must pursue an open-door policy, which will accelerate Albanian integration into European processes, meaning that foreign investment and free initiative must be given precedence. I am convinced that the country's economic situation will change fundamentally once people who are currently not working return to work and once there is foreign aid and cooperation with foreign partners. When I say that it will change, I mean a visible improvement.

[Halili] For more than a year now, Albania has been living almost exclusively from a foreign infusion directly through humanitarian aid from the European Community and the United States. A psychology of "the possibility of living off foreign aid" has developed in the country. This is the so-called psychology of aid, when everyone expects everything to be given to them from the outside, and that they do not have to do anything in return, which exacerbates the situation even more. How can all this be overcome without provoking social unrest?

[Berisha] I must tell you straight away that Albania was seriously harmed by the so-called communist law on the allocation of 80 percent of the wages even to those who were not working at their factories and institutions. Until the repeal of that law, which paves the way for state assistance, the so-called psychology of living on foreign aid will endure. We must go back to work. But you must realize one thing with regard to the psychology of aid. The Albanians are once again experiencing isolation.

Practically speaking, over the past two years insignificant companies, so to speak, have come to Albania, with the exception of a few oil companies. They have raised a lot of dust, but at the same time they have not invested anything in development, so that there is still no fund for international economic cooperation. Consequently, in anticipation of painful but absolutely necessary economic cooperation with other countries, we have based our actions on legal foundations, and not on deceptions, promises, and lies, as was the case during communist rule.

[Halili] It has been said of you that you are too pro-American and that during the election campaign you always put the United States ahead of Europe. Is that true?

[Berisha] No, that is not true. On many occasions I have emphasized that we as a nation are grateful to U.S. President Wilson, who at the time, during the era of the League of Nations, emphasized the need to support and himself supported the small Balkan country of Albania.

In my opinion, those were the true beginnings of the Albanian-U.S. friendship, which was complicated by the regime of Enver Hoxha when he declared the United States to be Albania's enemy, which was a big lie. This communist policy irreparably harmed the Albanian people in general. On the other hand, there is a large Albanian diaspora active in the United States, which is extremely powerful and patriotic and which is ready to help Albania.

One must bear in mind that our people too regarded everything in the United States as the forbidden fruit, and that certain types of pro-American dispositions emerged among the people. However, as I said before, there is no truth to the notion that we give some sort of priority to the United States over Europe. Europe is our goal. I do not know, but surely you recall that the very beginnings of our opposition activities took place amidst European slogans such as "We want Albania in Europe." The Albanian foreign-policy strategy, as I have emphasized on many occasions, is integration into contemporary European processes, which means entry into the European Community and the military structures of NATO. Consequently, there is no question of some sort of priority for the United States over Europe in Albanian foreign policy or in my personal stance. I think that that is improper. We also stated and clarified this point during the recent visit to Tirana by Italian Minister of Foreign Affairs Gianni de Michelis. In principle, we are in favor of good and friendly relations with both West Europe and Washington.

[Halili] The reception given to James Baker will go down in the annals of Albanian history as the most cordial reception ever arranged for any statesman.

[Berisha] Here too there are exaggerations. Baker was received as a friend of the Albanian people. At that time, there were still communists in the government, and they fashioned some sort of illusion among the people. They wanted to say, "Look, Baker came, but without any loans and aid." Instead of telling the people that they should roll up their sleeves and get to work, they wanted to create the illusion that it is possible to live on foreign aid for a long time. This was fatal to the Albanian economy. With regard to your question, do not forget that the Albanians are a hospitable people, and that Genscher, De Michelis, and all other European statesmen have been cordially received here.

[Halili] All in all, it appears that you are giving precedence to Italy in relations with your neighbors. Why?

[Berisha] Perhaps that is your conclusion, and if so then I am especially pleased. Surely you know how many problems we have caused for our neighbors the Italians, who had to care for thousands of our refugees who were literally forced to flee by the ruling Albanian communists. Italy was among the first to help us, and did so at the most serious moments. You also see Operation Pelican, which is proceeding in parallel with our Operation Eagle to distribute food relief to the population. All

of these things are priorities on the basis of which we are building good-neighborly relations with Rome. There is also a tradition behind these good relations; if you are well informed about this, then you know that aside from certain periods, Italian-Albanian relations were traditionally good before the war.

[Halili] Hans-Dietrich Genscher recently paid a visit here in Tirana?

[Berisha] Genscher is a great friend of Albania. He has continually backed the democratic processes in our country. His last visit took place in an atmosphere of mutual satisfaction because of the victory of the democratic forces in the latest multiparty elections. Because of their ideological omens, the communists, as only they know how, ruined the development of good relations with Germany beginning in the 1970's, when Franz Josef Strauss came to Tirana and offered the hand of friendship and aid. However, Enver Hoxha's communist ideologists, Sofokli Llazari and Foto Cami, characterized Strauss's offer "as hostile provocation by putrid capitalists" and rejected all of it. We are already rectifying this, and we hope that our relations with Germany will be unqualified and friendly, and to our mutual advantage.

[Halili] But Genscher, while here in Tirana, called the Albanians of Kosovo a national minority?

[Berisha] We have stated clearly that the Albanians in the former Yugoslavia are not and cannot be a national minority. We have also pointed out that without a solution to the problems of the Albanians and respect for their rights to self-determination, there cannot be a solution to the so-called problems in the former Yugoslavia. From now on, the new democratic government of Albania will make Kosovo and the question of Albanians in the former Yugoslavia the issue of the day in its policy and diplomacy.

[Halili] You have also publicly put forward a few ideas about Albanians emigrating for jobs. You know what the situation is like in Europe, that there is major unemployment. Many Western European countries are sending workers home, but you would send them out for work?

[Berisha] When we said that, we were thinking of addressing ourselves—and that is what we will do—to the governments of certain Western European countries, asking that they accept a specific group of Albanian workers. Look, we have lived in total isolation for a full 50 years. And we think that several thousand of our workers could join the process of temporary labor in the countries of West Europe, but also in other countries. That would be a big help to Albania.

[Halili] Mr. President, during your election campaign, as well as during your nomination as president, you appealed to God on many occasions (We will win, God willing; God will help Albania; etc.). How much of this was the election atmosphere, and how much of this is authentic?

[Berisha] It is all authentic. We have believed and do believe in God. That was not electoral decor. Surely you know about the ban on religion dating back to the 1960's. Because of that dictatorial regime, people lost their faith both in God and in themselves. Everything human and spiritual that man carried inside himself was destroyed. There are three religions in Albania: Muslim, Catholic, and Orthodox, and we think that for us, a small nation, this is a thing of value and an inestimable resource. There has always been a great deal of religious tolerance in this region. For the people, it has always been more important that they are first of all Albanians, and then Muslims, Catholics, or Orthodox.

[Halili] Hasn't Greece tried to carry out certain activities in Albania through its support for the Orthodox Church?

[Berisha] Listen, the Albanian Orthodox Church has been autocephalous ever since the days of Bishop Fan Noli, and we regard any intervention by the Greek church in these matters as tendentious. On the other hand, we are developing good relations with Greece. I can say that these relations are on a high level, and this was confirmed during the recent visit by Konstantinos Mitsotakis. We had substantive and mutually useful talks.

[Halili] Talks between you and Macedonian President Kiro Gligorov have also been announced?

[Berisha] Yes, we will talk with the top people in Macedonia and with President Gligorov. We think that the state of Macedonia must recognize all the rights of Albanians in that republic, including the right to autonomy, and we will recognize the independent and autonomous Macedonia. We have a great interest in having good and friendly relations with the state of Macedonia, and we think that we are well on our way to achieving that.

[Halili] What lies ahead for Albania, and what sort of future do you predict?

[Berisha] First of all, the people must return to work and resist this psychology to the effect that all solutions and improvements in their standard of living will come from the outside. We must develop politics and the economy on the basis of realities. Albania must turn to Europe in such a way that we convince it that we are ready to join the wing of it that was torn off by communist dictatorship. Our goal is to achieve the slogan "We want Albania as Europe and we want Europe in Albania."

Through a stable economic situation, we will strive to attract serious investors from the United States, Germany, Italy, France, Great Britain, Spain, and other countries. Investments must provide the impetus for the development of Albania, which is still one of the poorest countries in Europe. I think that in this task the new democratic government, with its new people, will pass the test of history.

[Halili] Mr. President, in your opinion what will be the strategic trends in Albanian foreign policy? Much has been said, especially during your election campaign, about including Albania in the European Community and the military structure of NATO. How realistic do you believe this is under the present-day circumstances?

[Berisha] Albania is an inseparable part of this continent. I have said this many times, and I will repeat here that we will exclusively pursue a policy aimed primarily at the inclusion of Albania in all the structures of European integration, both economic and military.

[Halili] Does that mean that Albania gives priority to acceptance into the military structure of NATO?

[Berisha] There is no doubt whatsoever about that. Albania must join NATO quickly. It has been more than 30 years since Albania left the Warsaw Pact. Accordingly, it clearly cannot be treated like other states that would also like to join NATO now. On the other hand, Albania has never represented any danger to the West; the stationing of nuclear weapons has never been permitted on its soil, and historically it has passed the test of ties with the West, beginning with the days of Skanderbeg (1443), when Albania was a fortress for Christianity and the West. That was a long time ago, but one should never forget the past.

[Halili] As we know, there are more than a thousand Italian soldiers stationed in Albania as part of the campaign to distribute humanitarian aid, the operation known as "Pelican." This is humanitarian aid, but it is still the first time that foreign armed forces have been on Albanian soil. Does this signify the first form of cooperation within the framework of working together with NATO?

[Berisha] No, not at all. Operation Pelican, which is being directed by Italian generals and armed forces stationed in Durres and Vlore, is exclusively humanitarian in nature, and is concerned with distributing the aid that the European Community is sending to Albania. This cannot be regarded as military cooperation.

[Halili] While we're at it, how is Operation Pelican going?

[Berisha] Terrific, we are very satisfied. The Italian armed forces have offered major assistance to the Albanian people, and we are very grateful to them for it.

[Halili] Albania is also an inseparable part of the Balkans. Are the Balkans in danger of going up in flames?

[Berisha] That danger is real today, and it is due exclusively to the Serbian chauvinistic and hegemonistic policy, which cannot in fact be called a policy; rather, it is the lowest form of political primitivism whose goal is to achieve the Greater Serbian interests of dictator Slobodan Milosevic and his communist Serbian clique. In this context, Albania in inter-Balkan relations is striving for a stable policy and peace in this region. We are in favor—and we have stated this—of independence



for the republics of the former Yugoslavia that have managed to wrest free of Serbian rule.

We are striving for good relations with Greece, and I think that our relations with Athens are very good. With Turkey and Romania as well, but as far as Serbia is concerned, that country continues to follow the logic of war, force, and violence.

Serbian leader Milosevic has never kept his word in a single one of these peace talks, but has instead blindly followed his own chauvinistic fanaticism. Europe must be decisive in taking measures against those who provoke war and bloodshed. Europe's indecisiveness has already cost thousands of innocent human lives in this region.

[Halili] Recently, while discussing the war imposed on Croatia, you used the expression "the self-sacrificing Croatian people"!

[Berisha] I used that expression because I am aware of the major sacrifices that have been made by the Croatian people in an immoral war imposed on them, a war that Serbia, Slobodan Milosevic, and the so-called Yugoslav People's Army [JNA] have forced on the Croats.

[Halili] Mr. President, we have also witnessed bloody events in the territory of an independent state that is recognized by Albania, Bosnia-Herzegovina [B-H]!

[Berisha] I am following the events in Bosnia-Herzegovina closely in the belief that Europe will prevent the destructive campaign by the Chetnik forces and their allies, the so-called JNA, and that it will not give legitimacy to aggression against a sovereign state. I sincerely believe that Bosnia-Herzegovina and the aggression against it will mean an end to the political force and violence being carried out by the Serbian dictator, Milosevic, in our Balkan region.

[Halili] Albania has recognized the sovereignty of Croatia, Slovenia, and B-H; when will diplomatic relations be established with those countries?

[Berisha] The very act of recognition also signifies the establishment of diplomatic relations. As far as I know, talks have already been held with Slovenia in Ljubljana, and talks will be held shortly with the leadership of the Republic of Croatia and B-H as well.

[Halili] We have talked about the war and the massacres in Croatia and B-H, but a similar or greater massacre

threatens the Albanian population in Kosovo as well. How will Albania react in that case?

[Berisha] Albania will do everything in its power to prevent any conflict in Kosovo. That is in the interest of Kosovo. I believe that the Albanian political forces in Kosovo are in favor of the peace option and of resolving problems with conflict. But naturally, if conflict were to begin in Kosovo it would be a major tragedy for the entire Balkans, and perhaps for Europe as well.

[Halili] As you already know, on 27 April of this year, without the consent of the Albanian people in Kosovo, in Serbia, and in Montenegro, the Hungarian people in Vojvodina, and the Muslims, the so-called third Yugoslavia was founded in Serbia, which is better known as Greater Serbia or Monteserbia. While many countries are considering recalling their ambassadors from Belgrade, what will Tirana do?

[Berisha] Albania has long believed that the European Community will not under any circumstances recognize a state founded through force by Slobodan Milosevic. I think that 27 April is a tragic day for the Serbian and Montenegrin people who accepted a communist government and an artificial communist state. I think that the entire state is a temporary structure and that it will not be recognized, except perhaps by a few countries from the communist reservation, such as Cuba.

[Halili] What will happen to your embassy in Belgrade?

[Berisha] We no longer have an ambassador there, and under no circumstances will we recognize the newly created violent state of Slobodan Milosevic.

[Halili] Mr. President, you are first of all a doctor who, by force of the circumstances, but also of your own free will, decided to go into politics and a political career. How do you compare the jobs of doctor-cardiologist and president of the country?

[Berisha] The job of doctor is very hard, and cannot be compared, but if you insist, then I will tell you that being a doctor is easier than being president.

[Halili] What would be your message to this magazine?

[Berisha] I believe that we will establish very good relations with the Republic of Croatia in all fields. I hope that peace prevails as soon as possible, and I believe that relations between Albanians and Croats, which are traditionally good, will be even better and that this will be beneficial to both Croatia and Albania.

### Socialist Party Allegedly To Split Soon

AU0206134892 Belgrade POLITIKA in Serbo-Croatian  
21 May 92 p 8

[Article by M. Pesic: "Social Democrats Form Ruling Party"]

[Text] Whether by coincidence or not, as the elections on 31 May draw nearer, rumors get louder that a Social Democratic Party of Serbia is about to be formed. The well-informed say that the work on laying down the foundations for this new left-wing party is almost complete. This is apparently confirmed by a draft version of the social democratic platform, in which all the main program aims are stipulated. This platform has been circulating around Belgrade these days.

According to some sources, the initiators of this platform are members of the Socialist Party of Serbia [SPS], particularly the "liberal" wing of the deputies' club of the ruling party. The whole affair is still being kept secret from the public, because negotiations are being held with some party leaders, whose presence in the ranks of the social democrats would be more than welcome.

#### Led by Prominent Nonparty Figure

The need for the formation of such a party was first expressed publicly by Momcilo Trajkovic, people's deputy and president of the assembly committee for Kosovo. In an interview at the beginning of March, Trajkovic described himself as a man of social democratic inclinations and said that the unsolved problem of Serbian nationalism was the obstacle to the formation of such a party.

Since the name of this very influential man in Kosovo and Metohija has been apparently heard in connection with the formation of a Social Democratic Party, we asked him for his comment. Trajkovic did not hide his interest in such a party, but added that nobody had so far asked him personally to take part in the coalescing of social democratic forces.

"If such a party were to be formed, then it should be initiated in Belgrade, not Kosovo, as the rumors say. That party should be led by a very prominent and up until now nonparty figure of Serbia, who could attract the people," was the short comment made by this people's deputy on the subject of Serbian social democracy. He added that he had not yet heard about the "platform" of that party.

The idea of the formation of the Social Democratic Party of Serbia, about which nobody seems willing to talk publicly, can be connected with the division among the ruling socialists. The SPS initially compact representative majority has recently been giving a different impression. The number of independent thinkers who refuse to always follow the general course of the party leadership is increasing. It is no secret that the relations between the head committee and the deputies' club of the SPS are not

at their heartiest, particularly when matters of vital national interest are concerned.

#### The Role of the Extraordinary SPS Congress

We discovered from circles close to the SPS leadership that all these rumors about the Socialist party's split into socialists and social democrats were unfounded. All these discrepant voices are, according to them, the result of "the high level of democracy within the party."

As things stand, the results of the 31 May elections are expected [as published]. Some say that unless the SDS does in the elections as its leadership has imagined, then there will be an extraordinary congress, which has recently been called for by some parties affiliated with the Socialist Party. Many say that it depends on the possible cleansing of the SPS ranks whether the social democratic party will become a reality on the Serbian multiparty scene.

If the dissatisfied in the socialist ranks outnumber their colleagues, often referred to in public as the "hardliners," then the extraordinary congress will not, according to many, bring about the realization of the social democratic idea. Still, we will know all about these things in a couple of weeks at the latest.

#### Pantelic Appointed Chief Editor of POLITIKA

AU0106092692 Belgrade POLITIKA in Serbo-Croatian  
20 May 92 p 1

[POLITIKA report: "Momcilo Pantelic Appointed Chief Editor of POLITIKA"]

[Text] Yesterday, the workers' council of POLITIKA unanimously appointed Momcilo Pantelic, former acting chief editor, as the new chief editor of POLITIKA.

This appointment followed the decision made earlier on, when, in a secret ballot by all employees of POLITIKA, Momcilo Pantelic won the majority. The second candidate was Miroslav Stojanovic, our commentator on foreign affairs. In this secret ballot, which is the second such ballot not only in POLITIKA, but in the whole history of our press, Momcilo Pantelic got 100 out of 177 total votes.

Two nights ago, at the appointment session, Pantelic announced that his primary aim was to promote POLITIKA as a nonparty professional newspaper open to various concepts, which would contribute to the democratization of society.

Momcilo Pantelic (born 1947) holds a degree in law and has worked as a journalist for POLITIKA since 1971. He started as a correspondent for the Belgrade chronicle, and then went on to write for all the other columns. He received the POLITIKA award for editing the foreign affairs column, and for reporting from the battlefields of the war between Iran and Iraq. From February 1986 to April 1991, he was POLITIKA's correspondent for

South America based in Buenos Aires. Since then he was assistant chief editor, and during this last month acting chief editor.

### **Tension Among Ethnic Groups in Macedonia**

92BA0928A *Skopje NOVA MAKEDONIJA*  
in *Macedonian* 3 May 92 p 5

[Article by B. Burnazovski: "The Serbians Are Locking Themselves Inside a Ghetto"—first paragraph is NOVA MAKEDONIJA introduction]

[Text] No one is threatened by anything in multiethnic Kumanovo. However, the demand of the DPS [Democratic Party of Serbs] and the Association of Serbians and Montenegrins to have Serbian schools in areas "where even a single Serbian lives" proves that coexistence is nothing but a slogan.

Kumanovo, May—Recently, yet another national political party has appeared on the pluralistic political stage in Kumanovo. It is the DPS in Macedonia, which elected at its constituent meeting a main committee for the Kumanovo-Pchinja region (the region along the Pchinja River, up to the point where it drains into the Vardar—that is, including part of the Skopje area). That party and the Association of Serbians and Montenegrins, which has been functioning for the past year, have identical programs: to defend the interests of Serbians in Macedonia and to promote friendship and coexistence with all citizens and ethnic groups in that area. They will especially emphasize, as was stated in their programs, "parity participation of Serbians in the government, education in their native tongue, and the right to self-determination, including secession."

To the few people who have a more detailed knowledge of the programmatic stipulations of these organizations, some of their proclaimed objectives and tasks are seen as incomprehensible and even provocative because their main line is one of national, religious, linguistic, and other separation of the Serbs from community life with the Macedonians, who promote unity and a "life worthy of the long tradition of good relations among all citizens and ethnic groups in that area." This is above all because, in multiethnic Kumanovo, no one is threatened by anyone, nor is anything else required to ensure protection. Many people are asking themselves what kind of coexistence is demanded by the party and the association by asking for the opening of a Serbian school in areas where even a single child of Serbian nationality lives, and for Serbians to demand religious services in Serbian churches in Macedonia and in the Serbian language, or asking for separate Serbian cemeteries. There have been other requests, as well, some of them addressed to the highest authorities in Macedonia, proving that their true intentions are somewhat different and that the members of these two organizations are unwilling to coexist with the Macedonians in that area.

So far, no single party has reacted to such incomprehensible and irrational efforts in the circumstances of

Kumanovo. This has been the case with other national parties, which have also formulated some senseless demands. Whether the silence kept by the other political parties concerning the programmatic stipulations of the DPS means their approval or unwillingness to react remains to be seen.

For the time being, it is clear that the founding of the DPS in Kumanovo "completes" the three ethnic blocs of political parties in that city. In addition to the two Albanian and the two or several Macedonian ethnic parties, there are others that belong to a fourth bloc, and now, added to the political scene, there is a Serbian (single) ethnic party. The fact that each one of them considers and interprets the situation in Kumanovo and elsewhere according to its own yardstick is normal in politics. However, we consider abnormal and worrisome the fact that the citizens are beginning to classify themselves according to their ethnic affiliation, which was not typical of the people of Kumanovo thus far. In such a pluralistic environment, the consoling fact is that the parties here have few members and that their activeness apparently is reduced only to the small leaderships that communicate with their members and with the public mainly through announcements. Most of the people in Kumanovo are moderate and do not put much stock in even their "own" parties. Conversely, they try to avoid by all means even most ordinary clashes that could lead to the development of interethnic intolerance.

### **Macedonian Police Find Smuggled Weapons**

92BA0944A *Skopje NOVA MAKEDONIJA*  
in *Macedonian* 15 May 92 p 7

[Unattributed report: "Thirty-One Makarov Pistols Seized"—first paragraph is NOVA MAKEDONIJA introduction]

[Text] The pistols were found in a Lada automobile driven by Shevat and Ramadan Neziri, who were traveling from Skopje to Tetovo. A three-member group in possession of 9,000 counterfeit dollars was caught in the Bristol Hotel in Skopje.

In the last two successful operations carried out recently by the MVR [Ministry of Internal Affairs] of the Republic of Macedonia, distributors of 9,000 counterfeit dollars were exposed, and 31 Makarov automatic pistols were seized.

Specifically, on 12 May, the Skopje UVR [Internal Affairs Administration] caught and detained a three-member group that had tried to put into circulation in Skopje 9,000 counterfeit dollars. The group consisted of Remzi Aliu, 35, and Fadil Selimi, 25, both from the village of Forino in the Gostivar area, and Khasan Mustafa, 32, from the village of Tenovo in the Tetovo area, who were apprehended in the restaurant of the Bristol Hotel in Skopje, where they were trying to sell the counterfeit dollars. The search revealed that they had in their possession 90 bank notes of \$100 each.

The counterfeit notes are recognizable by their lower quality paper. The notes are yellowish-gray. They have no protective silk threads and are bigger than the originals.

The interrogation of those individuals established that they obtained the dollars from a still-unidentified individual in Kichevo and that their intention was to exchange them for denars in Skopje.

The Skopje UVR charged the three distributors with the crime of trying to distribute counterfeit currency, and the service has taken the necessary steps to determine the origin of the false dollars and the possible involvement of other individuals.

Two days ago, at about 2130, on the road leading from Skopje to Tetovo, the MVR of the Republic of Macedonia mounted a successful operation that blocked a

black-market network smuggling weapons into our republic and captured 31 Makarov automatic pistols. The pistols were discovered in the search of a Lada passenger car with Skopje registration, driven by brothers Ramadan and Shevat Neziri from the village of Grachne in the Skopje area. The weapons, which the two individuals were trying to take to Tetovo, were found in two suitcases and confiscated.

Investigation and interrogation of these two members of an international black-market ring revealed that the weapons were procured in Bulgaria and then introduced into our republic for the purpose of selling them to interested individuals in the western part of Macedonia.

The MVR is conducting an intensive investigation aimed at fully resolving and documenting the case.



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